

Virginia Gas and Oil Board

August 21, 2012

Transcript

Lebanon, Virginia

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Bradley Lambert: Good morning ladies and gentlemen. It is now after nine o'clock and it is time to begin our proceedings. If you will please take your seats. To begin with this morning if you have cell phones or other communication devices, please put those on vibrate or turn them off. If you must take a phone call, please do so out in the hall. These proceedings are being recorded and our

recorder needs to be able to hear what is being said. At this time I will ask the Board to please introduce themselves and I would also like to begin by welcoming our newest member Ms. Rita Surratt from Dickenson County. I will begin with her.

Rita Surratt: I am Rita Surratt, Dickenson County, I run the Visitor's Center and am also Presidency of the Chamber of Commerce and Tourism Director for Dickenson County.

Sharon Pigeon: Welcome aboard.

Butch Lambert: Welcome

Sharon Pigeon: I am Sharon Pigeon with the Office of the Attorney General.

Butch Lambert: I am Butch Lambert with the Department of Mines, Minerals and Energy.

Allen Compton: Allen Compton, Dickenson County

Bill Harris: Public member from Wise County

Donnie Ratliff: I am Donnie Ratliff from Alpha representing coal

Bruce Prather: I represent the oil and gas industry

Mary Quillen: Mary Quillen public member

Bradley Lambert: Thank you ladies and gentlemen. Let the record show that we have a quorum this morning. I would like to begin this morning with opening up with public comments. I have first on the sign in sheet, Ms. Juanita Sneeuwaght.

Juanita Sneeuwaght: Good morning, welcome to all of you particularly Rita. It is nice to see you. I am Juanita Sneeuwaght and President of the Committee for Constitutional and Environmental Justice and I reside in Dickenson County. I want to report to you that folks in Buchanan County, Dickenson County have said to me that they have not received royalty checks in the month of July. A few are trickling in now in August. I don't know if you are aware of that or speak to that

or look into that for folks. So I have had a whole slew of reports and I don't know if this is totally generalized. But many, many reports.

Bradley Lambert: Ms. Sneeuwaght you need to have those citizens that contact you contact our Division of Gas and Oil and Mr. Cooper or Ms. Davis, if they are having problems.

Ms. Sneeuwaght: You just heard what he said. If you need it in the paper, I will put it in the paper for you. Month after month folks have complained before the Board that the royalty payments, boundary lines have been distorted and royalty payments are not accurate or received at all. Is this Board not in a position to demand from gas industry to be in compliance or keep accurate records. I think we talked about that pretty much at length at last meeting. Also, I believe that Mr. Lambert mentioned that hopefully there would be somebody hired to oversee that. I hope that is happening or will happen in the very near future. I think it is desperately needed. We would highly encourage you to do that and maybe get better reporting going on. So that is all I have for this morning, thank you.

Bradley Lambert: Thank you. Next is Mitchell Counts. Good morning.

Mitchell Counts: Good morning. My name is Mitchell Counts and I have been here several times. This morning I just wanted to read a letter that I received from Mr. (inaudible) lawyer for Hurt McGuire. It says, "Dear Mr. Counts, I have been asked to respond to your recent letters to Hurt McGuire Land Trust. I have reviewed this coal severance deed, a copy of vesting deed, a copy of your former wife's relinquish of her rights, a copy of tax tickets, a copy of title opinion furnished with the documents enclosed with your letter that you claim to the surface and the ownership of coalbed methane. However, ownership of the gas does not equate into ownership of gas royalties. The Virginia Oil and Gas Act specifically defines a royalty as any owner of gas or oil in place for owner of gas or oil rights who is eligible to receive payment based on the production of gas and oil. None of the documents that you have presented indicate that either you or your predecessors in title have acquired the right to enter Hurt McGuire coal seam, fracture the seam, occupy the seam for removal of gas. These rights are

owned by Hurt McGuire which enter into a gas lease for the purpose of relinquishing those rights in exchange for payment of gas royalties to which it is entitled. The purpose of the split agreement between the surface owners and owners of coal estate is to recognize and compensate each for rights surrendered as royalty owner to the gas company. And, unless you can produce some document in your claim of title which grants you, as a surface owner or your predecessors in title, the right to enter into, fracture, occupy the coal seam to explore for and recover the gas which you claim to own, you are not entitled to 100% of the escrow royalty payments as appears to be the position taken by you in your letter. I suggest that you contact Mr. Greene, make arrangements into a split agreement with Hurt McGuire so that you can recover and be paid the portion of escrow gas royalties reflecting what are actually entitled to you under the referenced definition of royalty owner. " To me this letter doesn't make much sense in the fact that I never entered their coal seam, I never disrupted it. I did not have anything to do with that. I have kind of fought against the gas company, the force pooling. I feel like all of those people from the Appalachian Mountains have been discriminated against because of our education and our inability to do the paperwork that it takes. I think I have responsibly come up with all the things that I can to prove that I have right to the money that is in escrow. I would....I guess what I am doing is asking for help. That is all I have got to say.

Bradley Lambert: Next on the sign-in sheet is Kathy Selvage.

Kathy Selvage: Good morning

Bradley Lambert: Morning

Kathy Selvage: I have to be honest and say I hope I can make it through this. I spent an hour on the road. I really needed to take a small break before hand but I am going to try, o.k.

Bradley Lambert: Please state your name for the record.

Kathy Selvage: It is Kathy Selvage and I reside in Wise Virginia. Good morning Mr. Chairman and fellow Board members. These comments are made regarding the audit of 40 escrow sub-accounts out of approximately 800 held by the Virginia

Gas and Oil Board for unknown or not able to locate owners or disputed ownership of gas. This account currently has twenty-eight to thirty million dollars in it and it is unclear to me whether or not an audit has ever been done. If so, it should be relatively easy to produce a copy for the public's viewing. It is imprudent and neglectful of fiduciary responsibility to allow accounts that house money belonging to others to just lie around for years without an external review of those same monies. An examination of procedures and policies developed and installed for the handling of such. Just ask a banker they would go without an audit. You have one or more before you at least quarterly to report on the escrow accounts. They would wait long enough for essential information to disappear. I am amazed at the amount of money held in escrow, who it belongs to, how long it has been housed there, how long it took to move to an audit. Why only 40 accounts out of 800 were chosen for further examination and even then gross inadequacies were uncovered. If an audit had ever been done, a copy should be produced. If you have business or worldly experience and sit on this Board, did you seek an audit or request same? Who requested this audit? Was it the Board or was it citizens? How do we know that all this money was even FDIC insured? What are your collective responsibilities for governments? Gas is taken from those who may legally own it and by law a mere 12 ½ percent goes to the owner. Think what a slice they get when in fact, they may have been entitled to the whole pie. It is but yet another way for the increasingly poor of Southwest Virginia to be doomed to poverty forever. In this instance, instigated by the gas industry and facilitated by the Commonwealth, I question who wrote the law? What is amazing to me is that at the last hearing whatever has happened correctly or incorrectly will largely be swept under the rug to begin with ending balances of 2009. That inclination is there though it is quite clear that errors that are not insignificant apparently took place in the decade at least before 2009. It is not impossible to replace and find many of the missing items so indicated. Beyond that you now think that you can cure it with hiring an internal auditor. As members of this Board you are not ethically, if not legally, bound and cannot advocate your responsibility. Nor should you wish to. Having an internal auditor will do nothing to indicate to the public that you are serious about fallacies carried on for at least a decade nor will it alleviate even the appearance of

impropriety. There are so many things wrong here beginning with fiduciary responsibility for other people's money dictates external full and fair audits to alleviate even the appearance of impropriety. Audits are used to identify any gaps in well defined and segregated internal controls. So proper procedures can be identified and become a part of the culture early in the process among others. I am concerned that the Board did not see the significance of their responsibilities from the very beginning and develop policies and procedures and seek those to serve on the Board, those who could brought much needed knowledge to the Board. As of a few months ago, Southwest Virginia is home to approximately 7500 gas wells and seven inspectors. The Commonwealth law itself represents takings.

Bradley Lambert: Ms. Selvage, how much longer do you have as you have gone over the time limit?

Kathy Selvage: I would say I am about 33 percent of the way through.

Bradley Lambert: We will have to ask you to please wrap up shortly because we need to continue you have reached your two minute limit.

Kathy Selvage: O.k. may I request that my entire comments be included with the minutes.

Bradley Lambert: You can submit those for the record please.

Kathy Selvage: How much more time and I will just hit a few highlights?

Bradley Lambert: You are already out of time. I will give you a few minutes if you want to hit some highlights.

Kathy Selvage: How about three?

Bradley Lambert: O.k, three minutes.

Kathy Selvage: I am further concerned that the lack of an audit for the same represents an indiscriminate taking. Highlights FDIC insured. There is no commitment to the public that this has been adhered to for at least ten years. There is no proof to the public that it was FDIC insured. That is just comingling.

Next, comingling of monies makes ownership of monies indeterminable. It should not be permitted. No accountability for deposits. If the gas company was cutting a check covering the deposit for several wells, it should come with a listing. When companies say they deposited money to accounts and you have no record that that has ever happened you go back to the company and ask them for a copy of that check cleared and was processed through a bank. There are entries on that check that can identify where that money went to. If they cannot produce a copy of the check that means it never cleared. It should have been reissued.

Inaccessibility of records, unforgiveable. I lived through and suffered through mergers and acquisitions in banks. They are suffering. Records don't disappear, they are sometimes misplaced, but they don't disappear. Remit funds in a timely manner. If that correlation had been done, you would have known that they were not. The people who are claimants are cheated out of income from that meager 12 ½ percent. How do you stop that? It is a language that everyone understands. It could be (inaudible) and part of that could be remitted to the claimants. For late deposits: relationships with prior agents, if you have relationships as agents that had a bad reputation and there are things in the public press that occurred at the financial institutions while you had a relationship with them, those particular records should be looked at very closely with a microscope. I could find no history for the Board which is a problem for the public. These are but a few of the many questions of a curious mind. The importance of the audit early I am concerned that men and women of great business experience do not see the necessity of such. I am concerned that you neglected your fiduciary responsibilities and advocated your responsibility to escrow agents with little or apparently no oversight. Funds have set for years. I will end with this because I wrote you a nice page last but you won't hear it but that was shock me, do the right thing. Do the right thing for the public.

Item 2 VGOB 92-1215-0306-02

Bradley Lambert Thank you Ms. Selvage your time is up. The next item on the docket is item number two a petition from CNX Gas Company, LLC for the disbursement of funds from Tracts 2 & 3 on behalf of Harrison Wyatt, LLC and Ada

W. Hamilton, Ella Ruth Cook and CNX Gas Company for Unit T-16. This is docket number VGOB 92-1215-0306-02. All parties wishing to testify please come forward. This item was continued from June.

Mark Swartz: Mark Swartz and Anita Duty

Anita Duty and Ella Ruth Cook were duly sworn

Mark Swartz: Good morning

Bradley Lambert: Good morning, would you please state your name for the record?

Ella Ruth Cook: Ella Ruth Cook and my (inaudible)

Bradley Lambert: Thank you and good morning

Mark Swartz cross-examination of Anita Duty

Q: Would you state your name for us please?

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: The petition that we are here on this morning pertains to what unit?

A: T-15

Q: Currently is the production from that unit, the T-15 unit, being paid under another order?

A: It is

Q: What is it being paid under?

A: VP8SGU3

Q: So there is no additional money coming into this escrow account at this time?

A: No

Q: And is the disbursement we are proposing to make with regard to Tracts 2 and 3 is that a partial or complete disbursement?

A: Partial

Q: The reason for this request is what?

A: It is a 50/50 cbm deed with Harrison Wyatt.

Q: Have you actually seen that deed?

A: I have

Q: In sum and substance does it provide that the parties to the deed to divide cbm royalties and income on a 50/50 basis?

A: Yes

Q: Is that what you have proposed in your exhibit at the end of this petition?

A: Yes

Q: Turning to the exhibit at the end here, what is the purpose of that exhibit? Why do you need this exhibit?

A: It outlines the percentages to be paid to each owner.

Q: It shows an account balance as of 3/31/12, is that right?

A: Yes

Q: What did you do to report those balances as of that date?

A: We used our internal check record information and compared it to these Board's spreadsheets that are provided by the bank.

Q: By the escrow agent?

A: Yes

Q: When you compared them, what did you determine?

A: This account was in balance.

Q: The total amount due, just to illustrate it is not a complete disbursement. On Exhibit A1, the amount as of 3-31-12 due owners is what amount?

A: \$9,622.84

Q: When we look at the estimated amounts that you have below that are going to come out of escrow as of that date, they are substantially lower. Is that correct?

A: They are

Q: Who is it you would propose would receive the disbursements proposed from tracts two and three?

A: Tract 2 Harrison Wyatt should receive a total of 0.3279% and Ada Hamilton 0.0596% and Ella Ruth Cook 0.2683%.

Q: Tract 3?

A: Harrison Wyatt should receive a total of 0.0243% and CNX Gas Company should receive 0.0037% and 0.0206%.

Q: When the escrow agent, assuming this petition is approved, when the escrow agent makes these disbursements the escrow agent should use the percentages you just provided because the balances will be different at that point. Is that correct? There will be some interest perhaps or some other deduction?

A: Yes

Q: So even though there is not royalty coming in here, there could be some bank adjustments?

A: That is right, yes

Q: So the escrow agent bank should use the percentages rather than the amounts you reported.

A: Yes

Q: So we don't need an order authorizing CNX to pay these people directly with regard to frac gas because we are now paying under a different order.

A: That is correct

Q: That is all I have Mr. Chairman

Bradley Lambert: Any questions from the Board?

Sharon Pigeon: This is only well T-15 right?

Mark Swartz: Correct

Bradley Lambert: Ms. Cook do you have any comments?

Ella Cook: I just want to know how will I be paid? Will it be paid the balance in escrow and then I will have monthly checks or how is it going to go?

Anita Duty: You should already be receiving the checks out of the sealed gob because the sealed gob is actually what is active right now. So that is what you should be getting paid for currently.

Mark Swartz: Then you will get one check out of this account to close out your interest in this account.

Anita Duty: That will come from the escrow agent.

Ella Cook: When I got this the last time it said three and four.

Mark Swartz: You are looking T-16 and we are on T-15.

Ella Cook: O.k.

Mark Swartz: That one is next.

Ella Cook: O.k., but what about this one? On here it just got two and three, five, six, seven and eight and here you got....

Mark Swartz: This is the June docket. We are here on the August docket.

Ella Cook: Yes

Mark Swartz: So there is T-15, T-16 are the two that are on the docket today. I am assuming, did we continue that?

Ella Cook: No the Reedy property stuff wasn't balanced.

Mark Swartz: That is the next one

Ella Cook: That is why we came here.

Mark Swartz: We will get to that in a minute. This one is in balance. The T-15 is in balance and we can make disbursements.

Ella Cook: O.k.

Mark Swartz: And we are about to, except I have to take that phone call I talked to you about, so we will have to switch to Mr. Kaiser briefly.

Bradley Lambert: Do you want to do that after this one?

Mark Swartz: After this one, that would be great.

Bradley Lambert: Ms. Cook are you o.k. with that explanation that we will hear 16 next and we see if that does not answer your questions then we will come back and try to address any thing other you may have.

Mark Swartz: That is all I have

Bradley Lambert: Any questions from the Board for Ms. Cook?

Unknown: Motion to approve

Unknown: Mr. Chairman I have a question, when conference call Tract 3 there is there any reason on CNX that we can't write one check instead of two checks one for 36 cents and one for \$1.98.

Anita Duty: I don't have a problem with that, but I am not the chairman so I am going to be quiet.

Sharon Pigeon: Do you have authority to approve that.....

Mary Quillen: All that big money

Anita Duty: No we just separated that out because we had purchased two interests so we wanted to show those two interests. That is the only reason we separated it.

Bradley Lambert: I have a motion to approve, do I have a second?

Mary Quillen: Second

Bradley Lambert: All in favor signify by saying yes (yes), opposed (no). Thank you Mr. Swartz, that is approved.

Item 10 VGOB 99-0420-0719-02

Item 11 VGOB 00-0620-0813-02

Bradley Lambert: Ms. Cook we are going to take a break from CNX, he has to take a call.

Ella Cook: He explained that to me. He told me not to leave I am in jail.

Mark Swartz: I did not say anything about jail (laughter).

Bradley Lambert: O.k. (laughter) At this time we are calling docket item number 10. It is a petition from EQT Production Company for disbursement of escrowed funds from escrow for unit VC -3047 for Tract 4 to EQT. Docket number VGOB 99-0420-0719-02. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman, board members, Jim Kaiser and Rita Barrett on behalf of EQT Production. Items ten and eleven we are going to continue until September, we would like to?

Bradley Lambert: Docket item 10 and docket 11 will be continued until September. We are calling docket item 11 a petition from EQT Production Company for disbursement of escrowed funds from escrow for unit VC-4511, this is docket VGOB 00-0620-0813-02 will be continued to September.

Donnie Ratliff: Mr. Chairman may I ask a question?

Bradley Lambert: Mr. Ratliff

Donnie Ratliff: Can we give Mr. Cooper our copies because we obviously can't keep up with them and that will save from re-copying them next month.

Bradley Lambert: Yes sir

(Inaudible)

Item 12 VGOB 10-0315-2679-01

Bradley Lambert: Mr. Ratliff and other board members, just so that you know hopefully, by the first of the year we will have these electronic and we will be able to do anything I-pads, computers of some sort. So we won't have these packets much longer, hopefully. We are calling docket item number 12 a petition from EQT Production Company for disbursement of escrowed funds for unit VC-531472 for Tract 2, Range Resources and Lydia Victoria Newberry. Docket Number VGOB 10-0316-2679-01. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

Rita Barrett was duly sworn

Bradley Lambert: You may proceed Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett

Q: Ms. Barrett if you could state your name and who you are employed by and in what capacity.

A: Yes, my name is Rita McGlothlin Barrett, I am employed by EQT Production Company as a contract land agent.

Q: This is a request for disbursement on the unit for well number 534172?

A: That is correct

Q: What tract are we disbursing on?

A: Tract number two

Q: The reason for disbursement?

A: There is a split agreement dated May 12, 2008 between Range Resources and Lydia Victoria Newberry.

Q: What is that split?

A: 75% Lydia Victoria Newberry, 25% Range Resources

Q: Is this a full or partial disbursement

A: This will be a full

Q: This will close out the escrow account for this unit?

A: Yes

Q: Have the figures been reconciled?

A: They have however as of the filing of this docket item the First Bank had not yet published the escrow summary for July, so that is why we don't have a dollar figure in the disbursement column.

Q: We just wanted to bring the Board's attention to that. If you look at the last column, the disbursement column on our Exhibit AA, there is no dollar

figure there and that is because the latest summary from First Bank had not been posted at the time we filed this disbursement. Is that correct?

A: That is correct.

Q: What the Board needs to focus on then would be the percentage of escrowed funds that are in the next to last column on the spreadsheet that we call AA?

A: Yes

Q: Then just take those percentages and disburse those percentages of the total amount in escrow.

A: That is correct.

Q: Who should receive disbursement?

A: Lydia Victoria Newberry and Range Resources-Pine Mountain.

Q: It would be your testimony and your opinion that the percentages we have in the next to last column on the right would be correct?

A: That is correct.

Q: Have you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Would you ask that these parties be paid their royalty directly going forward?

A: Yes

Jim Kaiser: Nothing further at this time Mr. Chairman.

Bradley Lambert: Ms. Barrett you are saying your check was through July but it wasn't in balance, was June o.k?

Rita Barrett: Yes, as of....

Jim Kaiser: No our reconciliation is only through May

Rita Barrett: As of May it was reconciled and the total was \$8,476.55.

Bradley Lambert: Can I mark this as exhibit AA. Any questions from the Board?
Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the petition be approved as submitted Mr.
Chairman.

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second, anything further discussion? All
in favor signify by saying yes (yes), opposed (none).

Unknown: Gallie Friend is listed under tract 1 as an
unknown/unlocatable? So this won't close the account.

Rita Barrett: I think we can't

Jim Kaiser: Let's go back and correct that testimony.

Rita Barrett: It closes out tract 2.

Jim Kaiser: It closes out the sub-account for the unit for tract 2 but it does
not close out the escrow for the entire unit, is that correct?

Rita Barrett: That is correct. I apologize.

Donnie Ratliff: Do we need to do the motion again?

Bradley Lambert: We do. With the corrected testimony do I have a new motion?

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (yes), opposed (none). You have approval

Jim Kaiser: Thank you Mr. Chairman

Item 13 VGOB 09-0614-2535-01

Bradley Lambert: We are calling docket item 13 a petition from EQT Production Company for disbursement of escrowed funds from unit 550453 for tracts 1, 3 and 7 to Pauline McCoy. This is docket number VGOB 09-0614-2535-01. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

Bradley Lambert: You may proceed Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett

Q: Ms. Barrett if is this a disbursement request?

A: Yes sir

Q: Have all parties been notified?

A: Yes sir

Q: What unit is this for?

A: This is for unit VC-550453.

Q: Which tracts?

A: Tracts 1, 3 and 7

Q: Is this a full or partial disbursement

A: This is a partial.

Q: The reason for the disbursement?

A: There is a letter dated June 25, 2012 wherein Range Resources relinquishes their claim to the cbm royalty.

Q: Have the figures been reconciled between the bank and EQT?

A: Yes

Q: That is through what date?

A: January 2012

Q: What percentage escrowed should be used for disbursement? Is that represented in the next to last column to right on our exhibit AA?

A: It is. For tract 1 Pauline McCoy 68.120950%, tract 3 Pauline McCoy 6.004320%, tract 7 Pauline McCoy for 2.678186%.

Q: Did you provide the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Would you ask that Pauline McCoy be paid her royalty directly going forward?

A: Yes

Mr. Kaiser: Nothing further of this witness at this time, Mr. Chairman.

Bradley Lambert: Any questions from the Board? Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the application be approved as submitted Mr. Chairman.

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and I have a second, any further discussion?
All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kasier.

Item 14 VGOB 06-1017-1739-01

Bradley Lambert: Calling item 14, a petition from EQT Production Company for disbursement of escrow funds in unit 536448 for tract 3 to Marshall Johnson. Docket Number VGOB 06-1017-1739-01. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

Bradley Lambert: You may proceed Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Ms. Barrett again this is a disbursement request?

A: It is

Q: Have all parties been notified?

A: Yes

Q: What unit does this affect?

A: VC-536448

Q: Which tract?

A: Tract number three

Q: Partial or full

A: This is a partial

Q: The reason for disbursement?

A: There is a letter dated May 21, 2012 wherein Range Resources Pine Mountain relinquishes their claim to the cbm royalty.

Q: Have the figures been reconciled between the bank and EQT?

A: Yes

Q: That is through what date?

A: I am not sure, I believe it would be June 2012, but I will find out.

Q: The disbursement is for 34 cents. Which brings me, if we could just get off course a minute here. We talked about in the meeting we had the other day. We have six disbursements for this gentleman and this is the first of six. Were you asking or is there some way that we could have done all of these in one petition, or not? No, o.k.

Bradley Lambert: Unfortunately it is a tracking situation.

Jim Kaiser: That is what I figured. Well we will figure out when that 34 cents was reconciled?

Rita Barrett: I will get you a date for that

Continue of cross-examination by Jim Kaiser of Rita Barrett

Q: The percentage that should be used for escrow in this situation as represented on AA.

A: Yes it is 0.00313623%.

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Do you want to kind of explain the Marshall Johnson situation to us since we have a bunch of these coming up, sort of the title of it?

A: His brother passed away prior to his mother and you will note that there is a note on what we call exhibit AA. There was an affidavit that the heirship recorded in Russell County, May 31, 2012 where Edith (inaudible) died

on July 2007 and she was survived by Marshall Johnson who was her only heir at that time.

Q: She had another son who predeceased her right?

A: Yes

Q: Randy Johnson

A: Yes, o.k.

Q: Have you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Should Mr. Johnson be paid any royalty from this unit going forward directly?

A: Yes

Jim Kaiser: Nothing further of this witness at this time Mr. Chairman.

Bradley Lambert: Any questions from the Board? Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the application be approved as submitted Mr. Chairman.

Bradley Lambert: Do I have a motion?

Jim Kaiser: With a clarification on reconciliation.

Mary Quillen: Motion to approve

Bradley Lambert: I have a motion, do I have a second?

Unknown: Second

Bradley Lambert: Are there any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kaiser.

Item 15 VGOB 04-0921-1337-05

Bradley Lambert: At this time we are calling docket item 15 a petition from EQT Production Company for disbursement of escrowed funds for unit 536070 for tract 4 for Marshall Johnson. This is Docket Number VGOB 04-0921-1337-06. All parties wishing to testify please come forward.

Jim Kaiser: Jim Kaiser and Rita Barrett again, Mr. Chairman for EQT Production.

Bradley Lambert: You may proceed Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Ms. Barrett again this is a disbursement request?

A: It is

Q: Have all parties been notified?

A: Yes

Q: What unit does this affect?

A: VC-536070

Q: What tract?

A: Tract number four

Q: Partial or full

A: This is a partial

Q: The reason for disbursement?

A: There is a letter dated May 21, 2012 wherein Range Resources Pine Mountain relinquishes their claim to the cbm royalty.

Q: Have the figures been reconciled?

A: Yes

Q: That is through what date?

A: On the revision you will notice that is June 2012.

Q: What is the reason we provided revised E, EE and AA?

A: At the time of the application we could not provide the amount because there was a disbursement pending. Since the application, that disbursement has occurred. So we were able to reconcile the account.

Q: So we have a solid dollar amount as of June?

A: Yes

Q: O.k. again the percentage of escrowed funds that is represented in the next to last column on the right of our AA is the percentage escrowed that is to be used for disbursement purposes for the Board?

A: Yes it is 0.5739%.

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Have you provided the Board with a revised E and EE to reflect the facts of this disbursement?

A: Yes

Q: Would you ask that the order reflect that Mr. Johnson be paid his royalty going directly forward?

A: Yes

Jim Kaiser: Nothing further of this witness at this time Mr. Chairman.

Bradley Lambert: Any questions from the Board? Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the application be approved as submitted with revised exhibits.

Bill Harris: Just one quick question. I believe we have addressed this before about the size of the fonts that we use.

Rita Barrett: I didn't see this or I would have brought my magnifying glass. I will ask them to increase the font on this.

Bill Harris: They could shrink the columns and enlarge it.

Bradley Lambert: Any other questions from the Board? Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second, are there any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kaiser.

Item 16 VGOB 93-0113-0309-05

Bradley Lambert: Calling item 16 a petition from EQT Production Company for disbursement of escrow funds from unit 751313 for tract 4 to Marshall Johnson. This is docket number VGOB 93-0113-0309-05. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

Bradley Lambert: You may precede Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Is this again a disbursement request?

A: It is

Q: Have all parties been notified?

A: Yes

Q: What unit does this affect?

A: Unit 751313 also known as PC-313

Q: What tract are we disbursing from?

A: Tract number four

Q: Partial or full disbursement

A: This is a partial

Q: The reason for disbursement?

A: Again there is a letter dated May 21, 2012 wherein Range Resources Pine Mountain relinquishes its claim to the cbm royalty.

Q: Have the figures been reconciled between the bank and EQT?

A: Yes

Q: That is through what date?

A: April 2012

Q: To calculate the amount of disbursement is the figure of the percentage of escrowed funds in the next to last column to the right in AA? Is that the right percentage?

A: Yes it is 5.970149%

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Have you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Should any order reflect that Mr. Johnson be paid his royalty directly going forward?

A: Yes

Jim Kaiser: Nothing further of this witness at this time Mr. Chairman.

Bradley Lambert: Any questions from the Board?

Donnie Ratliff: Ms. Barrett would you point out tract 4 on the plat?

Rita Barrett: That is going to be the Kaiser tract down in the corner.

Donnie Ratliff: I think in 1992 they did not use those legends.

Rita Barrett: I am sorry?

Donnie Ratliff: I think in 1992 when this plat was done they didn't use the legends.

Rita Barrett: Right they did not number them.

Jim Kaiser: I don't think they made them number the tracts back then.

Donnie Ratliff: Item 14 was the same way. That is all I have Mr. Chairman.

Bradley Lambert: Any other questions from the Board? Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second, any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kasier.

Item 17 VGOB 00po516-0815-06

Bradley Lambert: Calling item 14, a petition from EQT Production Company for disbursement of escrow funds in unit 501853 for tract number 1. Docket Number VGOB 00-0516-0815-06. All parties wishing to testify please come forward.

Jim Kaiser: Thank you again Mr. Chairman, Jim Kaiser and Rita Barrett.

Bradley Lambert: You may precede Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Ms. Barrett again this is a disbursement request?

A: Correct

Q: Have all parties been notified as required by Statute?

A: Yes sir

Q: What unit are we disbursing?

A: VC-501853

Q: What tract?

A: Tract number one

Q: Partial or full

A: This is a partial

Q: The reason for disbursement?

A: There is a letter dated May 21, 2012 wherein Range Resources relinquishes their claim to the cbm royalty.

Q: Have the figures been reconciled between EQT and the escrow agent?

A: Yes as of April 2012.

Q: What percentage escrowed should be used for disbursement purposes?

A: 5.7201%

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Did you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Would you ask that any order provided by the Board reflect that Mr. Johnson receive his royalty directly going forward?

A: Yes

Jim Kaiser: Nothing further of this witness Mr. Chairman.

Bradley Lambert: Any questions from the Board? Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the application be approved as submitted Mr. Chairman.

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second. Are there any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kaiser.

Item 18 VGOB 09-0616-2541-04

Bradley Lambert: Calling item 18, a petition from EQT Production Company for disbursement of escrow funds for unit 537521 for tract 5 to Marshall Johnson. Docket Number VGOB09-0616-2541-04. All parties wishing to testify please come forward.

Jim Kaiser: Mr. Chairman again Jim Kaiser and Rita Barrett.

Bradley Lambert: You may precede Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Ms. Barrett again this is a disbursement request?

A: It is

Q: Have all parties been notified as required by Statute?

A: Yes

Q: What unit are we disbursing from?

A: VC-537521

Q: Which tract?

A: Tract number five

Q: The reason for disbursement?

A: Again there is a letter dated May 21, 2012 wherein Range Resources relinquishes its claim to the cbm royalty.

Q: Have the figures been reconciled between the bank and EQT?

A: We show the percentage in escrow is correct, however, there are other disbursements pending.

Q: We have not been able to provide a dollar amount as there are two other disbursements pending?

A: Yes that is correct

Q: So what is the percentage that the Board should use for disbursement purposes?

A: 0.617513%.

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Have you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Should Mr. Johnson in any order the Board provides should it be stated that in the future should be paid his royalty directly?

A: That is correct.

Jim Kaiser: Nothing further of this witness at this time Mr. Chairman.

Bradley Lambert: Ms. Davis do we have a status on the pending orders?

Diane Davis: We do they have been done, I believe checks have been ordered. I was just double checking right here. They have been processed.

Bradley Lambert : O.k.

Sharon Pigeon: What is a ballpark figure of the balance?

Jim Kaiser: I am not going to even hazard a guess.

Diane Davis: I know the money has not come out of the account.

Sharon Pigeon: They have two?

Diane Davis: Two correct.

Jim Kaiser: If it helps any about a year ago we showed about \$11,800 in there.

Diane Davis: There is roughly \$14,396.25 less those two disbursements.

Sharon Pigeon: Thank you

Bradley Lambert: Any other questions from the Board? Anything further Mr. Kaiser?

Jim Kaiser: We would ask that the application be approved as submitted Mr. Chairman.

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: I will second it

Bradley Lambert: I have a motion and a second. Are there any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kaiser.

Item 19 VGOB 02-1217-1109-02

Bradley Lambert: Calling item 19, a petition from EQT Production Company for disbursement of escrow funds from unit 502832 for tract 5 to Marshall Johnson. Docket Number VGOB 02-1217-1109-02. All parties wishing to testify please come forward.

Jim Kaiser: Jim Kaiser and Rita Barrett

Bradley Lambert: You may proceed Mr. Kaiser.

Jim Kaiser's cross-examination of Rita Barrett.

Q: Ms. Barrett again this is a disbursement request?

A: It is

Q: Have all parties been notified as required by Statute?

A: Yes

Q: What unit does this affect?

A: VC-502832

Q: What tract?

A: Tract number five

Q: Is this a partial or full disbursement?

A: This is a partial

Q: The reason for disbursement?

A: Again there is a letter dated May 21, 2012 wherein Range Resources relinquishes their claim to the cbm royalty.

Q: I believe again we have the same situation as we had in our previous disbursement in that we do not have a dollar figure for this one because there are still a disbursement pending?

A: Yes, there is one disbursement pending.

Q: What is the percentage escrowed that the board should use for disbursement purposes?

A: 1.6280%.

Q: Who should receive that disbursement?

A: Marshall Johnson

Q: Have you provided the Board with exhibits E and EE to reflect the facts of this disbursement?

A: Yes

Q: Should any order provided to Mr. Johnson state that he be paid his royalties directly going forward ?

A: Yes

Jim Kaiser: Not further questions of this witness at this time Mr. Chairman.

Bradley Lambert: Ms. Davis could we get an update on the one that is pending?

Diane Davis: I was trying to, but I am having issues with the computer.

Jim Kaiser: I can tell you as of February of this year there must have been an 01 disbursement and this is 02. It looks to me like \$47,757.52 as of February.

Diane Davis: I don't know at what point it is because I can not pull it up on the spread sheet but everything that was coming today has been processed either waiting to go to the court or waiting on a check.

Mr. Lambert: O.k.

Diane Davis: I can't get this to pull up. We do have a spreadsheet out there that I can send you, if you would like me to, that shows the status of all pending orders.

Bradley Lambert: That would not be necessary.

Diane Davis: They are at some point, either waiting on a check or at the courthouse.

Bradley Lambert: O.k. thank you. Any other questions from the Board? Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and I have a second are there any further discussions? All in favor signify by saying yes (Yes), opposed (none). Thank you Mr. Kaiser that is approved.

Jim Kaiser: Thank you

Rita Barrett: Thank you

Item 3 VGOB 94-1024-0476-02

Bradley Lambert: We are calling item number 3 a petition from CNX Gas Company LLC for the disbursement of funds from escrow from tracts 5, 6, 7 and 8 on behalf of Harrison Wyatt, LLC and Ada Hamilton, Ella Cook and CNX Gas Company for unit T-16. Docket Number VGOB 94-1024-0476-02. This item was continued from June. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty, thank you.

Bradley Lambert: Ms. Cook would you please state your name again for the record please?

Ella Cook: Ella Ruth Reedy Cook

Bradley Lambert: Thank you. You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Would you state your name for us again please?

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: This item pertains to what unit?

A: T-16

Q: It pertains to a disbursement request. Is that correct?

A: Yes

Q: I see that it has been continued before.

A: Yes

Q: Poor Ms. Cook keeps coming back and coming back. Does there continue to be a problem with this unit?

A: Yes

Q: Let me summarize what I think it is and then we can try to find a solution that allows us to make some progress here, o.k. As I understand it, there were two escrow accounts set up for this original pooling order, correct?

A: Yes

Q: At some point in time it was discovered that there were two escrow accounts and the escrow accounts were combined into one.

A: The prior disbursement order told the escrow agent to do that.

Bradley Lambert: All this occurred about when?

Anita Duty: 2005, that is when the disbursement order was done, is that what you mean?

Bradley Lambert: When the two were combined?

Anita Duty: I don't know that they ever were. That is what we are going to get at.

Mr. Swartz continues to question Anita Duty

Q: So there was a directive, it was discovered that there were two accounts, correct?

A: Yes

Q: There was a directive from this Board to combine those accounts into one.

A: Yes

Q: You have been, you meaning CNX, have been able to account for all of the monthly royalty checks from the beginning of production through the conversion of this to the sealed gob?

A: Yes

Q: So you have a check for everyone?

A: I do

Q: So when you total your checks and compare them to the amount of money in the two suppose to be one account, they do not balance, right?

A: Right

Q: Who shows more money?

A: The Board's escrow account.

Q: So it appears that the Board has money attributable to something else in their account, the Escrow Agent?

A: Yes

Q: That is the issue you cannot internally resolve because you have all the checks but you do not have the bank records.

A: All I have is the ledger sheets and it is showing deposits we don't show.

Q: Are there a lot of these or is there a period of time you can focus on?

A: There is probably about six months worth.

Q: So it is not years and years, so you can focus on that time and basically need to go to at some time is you and Diane or Mr. Cooper is the bank records to determine where this money that CNX didn't pay pertaining to the T16 unit came from and where it belongs?

A: Right

Q: That is a record that would have to come from the banks?

A: Yes

Q: Have you and Diane been working together to try and get to a resolution there?

A: Not yet, because we wanted to make sure that it wasn't our deposit that we are missing something. We worked with our comptroller department to make sure we had everything on our side so she really doesn't know about that yet. We wanted to make sure we were good first.

Q: But as we sit here today you believe you have accounted for all of your deposits and you are not missing six months of deposits or whatever?

A: Right

Q: It looks like the issue is the escrow agent bank deposited money in one or both of these accounts that should have gone somewhere else?

A: Right, and we were hoping we would find it later like coming back out of the account, a transfer back out, but we did not. I don't want to keep continuing, because Ms. Cook comes and kind of told her, Margaret Wood told her yesterday we still had a problem and hoped to get it fixed yesterday, but we did not.

Bradley Lambert: How much is the discrepancy between your accounting and the bank?

Anita Duty: I am thinking it is just a couple hundred dollars, it is not anything significant. But it is different.

Bradley Lambert: But the bank shows \$200 more than what you have.

Anita Duty: Around \$200-\$300

Bradley Lambert: Approximately

Mark Swartz: Our proposal would be, obviously subject to your decision, our proposal would be since Anita and Diane seem to be able to work things out from time-to-time to let them try to resolve this issue. Run it by Mr. Cooper and if the DGO and CNX believe that they have identified these few deposits, if they can solve that problem we can tender an order to the Board and move forward rather than keep coming back and keep getting Ms. Cook back. Other than that we are going to have to do this again.

Mary Quillen: Mr. Chairman may I ask a question?

Bradley Lambert: Ms. Quillen

Mary Quillen: The period of time you said is approximately six months. When was this and who was the escrow agent at the time?

Anita Duty: It would have been the ones where we had the actual paper, First Virginia or Premier

Bradley Lambert: We are talking pre-Wachovia, right?

Mary Quillen: It was pre-Wachovia is what I was getting at.

Anita Duty: Yes

Mary Quillen: O.k.

Diane Davis: It is possible we have some of that on microfilm. It may still be difficult to find out without knowing what those checks are.

Bradley Lambert: That is some of the problem we are discovering with our review of the accounts is that it is not an issue of the money wasn't there but posted somewhere differently. That is giving our folks who are looking at those records a fit....

Mark Swartz: We have had this happen before where it was going into some other escrow account. It is there but it is credited with the wrong unit. It hasn't happened a lot, but it has happened.

Anita Duty: It was First Virginia, but I mean this is the kind of stuff we are looking at, you have a deposit and it is like a lump sum and we have to go through and figure out what made that check up. It is causing us a little bit of digging. There are bonus payments in there that we have to account for to. We wanted you to know that but we also wanted Ms. Cook we are not trying to just make trips?

Bradley Lambert: So I guess what you are asking Mr. Swartz is we continue this one more time and hopefully staff of DGO and Ms. Duty can resolve that little bit of discrepancy?

Mark Swartz: Well I guess to continue with the understanding that we don't have to put Ms. Cook back unless she really wants to come. We will just continue it to see if they can resolve the discrepancy and send you a letter or something so

you can complete the record and be done rather than having another hearing, another publication, another notice.

Sharon Pigeon: Is this a partial disbursement

Anita Duty: Yes

Mark Swartz: I would like to have Anita testify based on the percentages based on the CNX numbers because we assume that is probably where we are going to be. Because it looks like there is money in there that shouldn't be there. So we can have the percentages in the record to make the disbursement if we can resolve the issue?

Bradley Lambert: So you think the percentages are correct, it is just the money that is off balance.

Anita Duty: The percentages are right. There is nothing wrong with the percent we were paying in and balancing with the last disbursement. It is just the money.

Mark Swartz: So if we can resolve that issue with regard to rogue deposits, then we have the right percentages today that we can apply to that balance.

Sharon Pigeon: Because your percentages are based on acreage?

Mark Swartz: Right, that won't change and the percentage gets applied to whatever the balance is when the disbursement is made, we are good to go on that as well. Once we know.

Bradley Lambert: How confident are you that you will even be able to work it out if this goes all the way back to First Virginia? Are you able to get those records going back that far?

Anita Duty: We have ours. One of the problems we have right now is you request the checks from where we had a third party administrator, we are having issues there because some of these checks were written in 1993. With the record retention, I am not sure how we are going to resolve it. I guess that is the whole problem we are having right now.

Bradley Lambert: Are you comfortable that the amount you show on your exhibit A1, the amount due to owners \$16,375.09 is that pretty accurate?

Anita Duty: That is the balance if you look at the two accounts right now and just add those two numbers together. That is what that number is.

Mark Swartz: That number may be wrong is what we are telling you.

Anita Duty: It may be \$16,000 not \$16,300.

Bradley Lambert: That is more than what you are showing in there?

Anita Duty: That is more than what we are showing we put in. We did not pay any attention to interest or any of the net income any of that. We just looked at deposit vs. deposit. Because we know we are not going to get the exact balance, because we may not have every single interest.

Bradley Lambert: I guess what I am asking is probably we could consider, since we have that large amount and the amount that you are asking to be disbursed is not really that much money compared to what the overall account is. I am asking the Board, would it be appropriate for us to go ahead and disburse this one since it is so small knowing we still have this discrepancy that we can try to work on and balance out? I would ask the staff of the Board to comment on that.

Diane Davis: I think you could if the Board has no problem with putting some special language in there with the understanding that Ms. Cook is here that should it be an overpayment, she would refund whatever. More than likely we will owe her money. I think you could using their balance.

Bradley Lambert: That is what I am thinking, using their balance instead of Ms. Cook having to come back in front of this Board and us set here and try to figure out what we are going to do with this, since there is not that much of a disbursement based upon what is in the account.

Diane Davis: I will go tomorrow and look at the microfilm I have and see if I can find, if you can provide me with your balance sheets, I will see what I can find on microfilm on this one. A lot of that old stuff was microfilmed.

Bradley Lambert: Any discussion from the Board.

Al Compton: I think Ms. Cook should get her money.

Anita Duty: Can I say one thing, If I show Diane and Mr. Cooper the deposits we are showing that we are out of balance on, if we take that total amount and subtract it from the balance in the account and pay the disbursement on that dollar amount. Then you don't affect the money.....

Mark Swartz: Then you know you are paying the minimum that is due. There won't be a potential overpayment.

Diane Davis: Then if there is an additional payment you would come back to the Board.

Mark Swartz: I don't know we would have to come back, we could say we have reached an agreement. We have made a pretty clear record today and this is an agreement that the DGO and CNX have reached with regard to what the appropriate balance should be. I am not sure you need to have a full blown hearing. This would not cause an overpayment issue.

Bradley Lambert: If we were talking about thousands of dollars, I would be very uncomfortable, a couple hundred one way or the other, I just think we need to move forward and disburse this one. Any further discussion from the Board?

Bill Harris: What you are saying is paying....

Mark Swartz: Paying on the amount that is not in dispute.

Anita Duty: The ones we can reconcile.

Bill Harris: So the worst that could happen is she could get more money, it wouldn't be like she would have to pay back.

Mark Swartz: The worst that would not happen is we would not be taking somebody else's money. She might get more but nobody is going to be shorted.

Sharon Pigeon: This number we have on A1 amount due, is that the bank's figure?

Mark Swartz: Correct

Anita Duty: And depending on what Ms. Davis finds, she may find something for those. We can get that taken care of.

Mark Swartz: We are going to need to provide you with a lower number. That is what I am saying. This is a fixed amount in the account. There is not additional money going in. That is the dollar value the Board should be ordered to use when it applies these percentages.

Sharon Pigeon: Otherwise the way the order would normally read is just a percentage and that is not what we are talking about here?

Mark Swartz: Correct

Anita Duty: We are going to pay the balance in the account, minus the six month period in dispute and that is the dollar amount and the percentage is applied.

Mark Swartz: You are going to give them the percentages in a moment.

Bradley Lambert: Ms. Cook do you understand I think this Board is going to vote to disburse your funds today but there might be some reconciliation but probably not in the future.

Ella Cook: I worked in a bank for years, I understand.

Sharon Pigeon: You understand correctly. You will get a check, there is a small possibility or some possibility you would get a supplemental check to make up a difference but we don't want to hold up your main check today if you are comfortable with that?

Bradley Lambert: Ms. Cook do you have any questions or comments before we pass for vote?

Ella Cook: No I will let you all deal with it.

Bradley Lambert: Do I have a motion.....

Mark Swartz: Excuse me Mr. Chairman, we need to get the percentages.

Bradley Lambert: Sorry, I jumped ahead sorry.

Mark Swartz: Anita, would your recommendation to the Board in terms in what should be included in the order would be that the order include the percentages reflected in the second column from the right hand side of the page and the owners percentages that the bank should use and apply to the number that we are going to provide?

Anita Duty: Yes

Mark Swartz: That is all I have

Sharon Pigeon: I would like for her to put the numbers in.

Anita Duty: Sorry

Mark Swartz: Go ahead and tell us for each tract then if they receive the disbursement what percentage the bank should use.

Anita Duty: Tract 5, Harrison Wyatt should receive a total of 3.4054%, Ada Hamilton 0.6192%, Ella Cook 2.7862%, for tract 6 Harrison Wyatt and CNX Gas Company should each receive 0.353% of the escrow account, tract 7 Harrison Wyatt should receive a total of 0.0028% and CNX Gas Company should receive the same. Tract 8 Harrison Wyatt, LLC should receive a total of 0.002%, Ada Hamilton 0.0004% and Ella Cook 0.0016%.

Sharon Pigeon: Thank you

Bradley Lambert: \$16,375.09 is what shows and you think it is going to approximately be \$16,000.

Anita Duty: Yes

Bradley Lambert: Any other questions from the Board? Anything further Mr. Swartz? Do I have a motion for disbursement of this unit based upon the number Ms. Duty will be submitting to the Board for purposes of disbursement?

Al Compton: Motion to approve

Mary Quillen: Second

Bradley Lambert: I have a motion and a second. All in favor signify by saying yes (yes) opposed no (none). Thank you folks.

(Break)

Item 4 VGOB 05-0315-1414-01

Bradley Lambert: We are calling docket item number four a petition from CNX Gas Company, LLC for the disbursement of funds from escrow and authorization of direct payment of royalties for Tract 1D on behalf of Swords Creek Land Partnership and Donald Richardson. Docket Number VGOB -05-0315-1414-01. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Would you state your name for us please?

A: Anita Duty

Q: Remember you are still under oath?

A: Yes

Q: Who do you work for?

A: CNX Land Resources

Q: Did you file a petition for a disbursement?

A: Yes

Q: This particular docket item pertains to what unit?

A: AZ-122

Q: Is it a partial or complete disbursement?

A: Partial

Q: What tract or tracts is it pertaining to?

A: 1D

Q: What is the reason you made this request?

A: A royalty split agreement

Q: Have you actually reviewed that agreement?

A: Yes

Q: What does it provide in substance?

A: A 50/50 split

Q: Have you undertaken to compare the operator's deposit records to the collection of bank records with regards to deposits they received?

A: Yes

Q: When you made that comparison, what did you determine?

A: They were all accounted for.

Q: Have you prepared an exhibit with regard to the proposed disbursement and with regard to the comparison you made concerning the balances?

A: Yes

Q: Is that the last page of this application?

A: Yes

Q: You called it Exhibit A1

A: Yes

Q: As of what date did you do that?

A: March 31, 2012

Q: If you were to do it again today the dollars would be different?

A: Yes

Q: But the percentages would not?

A: Correct

Q: What wells contributed to this escrow account?

A: AZ-122

Q: Who are the persons you are proposing to receive the disbursement?

A: Swords Creek Land Partnership and Donald Richardson should each receive 43.125%

Q: If you compare the amount they are going to receive as of 3/31 they are looking at roughly twenty-eight hundred and there is still another \$400 at the end of the month. So that confirms that the account should be maintained?

A: Yes

Q: At the time the escrow agent makes this disbursement to these folks, the escrow agent should be directed to use the percentages not dollars, correct?

A: Yes

Q: Those percentages you just given us should be applied to the balance at the time of disbursement?

A: Yes

Q: This looks like it is a situation where there is still royalty money coming into this escrow account?

A: There is

Q: Are you requesting that in the event the Board approves this petition you be allowed to pay these folks who have made a split agreement directly rather than escrowing their money?

A: Yes

Q: Obviously with regard to the people that still remain in escrow you will continue to pay those dollars into escrow?

A: Yes

Mark Swartz: That is all I have Mr. Chairman.

Bradley Lambert: Any questions from the Board?

Bruce Prather: Mr. Chairman

Bradley Lambert: Mr. Prather

Bruce Prather: I not on your Donald Richardson here you say that it is et ux is he the agent for the rest of the heirs is that the reason that is in there?

Anita Duty: Et ux is and wife

Bruce Prather: Pardon

Anita Duty Et ux means and wife

Bill Harris: Is there a reason why we don't just say and wife?

Sharon Pigeon: Legal thing

Mark Swartz: I don't do their title work so you can't blame me for that, but if you can keep your profession somewhat mysterious.

Mary Quillen: We just never seen that before.

Mark Swartz: From me, I am a fan of English.

Sharon Pigeon: We have seen it occasionally. It is not something we see all the time.

Bradley Lambert: And Mr. Richardson may like it that way

Mark Swartz: It was a good question and you got an answer.

Sharon Pigeon: Do you have authority to approve that.....

Mary Quillen: All that big money

Anita Duty: No we just separated that out because we had purchased two interests so we wanted to show those two interests. That is the only reason we separated it.

Bradley Lambert: Anything further Mr. Swartz? Do I have a motion?

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: We have a motion and a second, any further discussion? All in favor signify by saying yes (yes), opposed (no).

Item 5 VGB 99-0518-0722

Bradley Lambert: We are calling item number 5. On the Board's own motion consideration for the disbursement of funds from Unit P-46 is being placed back on the docket. This unit should have been closed when the last disbursement was executed. Further action is needed by the Board to pay out remaining monies. Docket Number VGOB 99-0518-0722. All parties wishing to testify please come forward. Mr. Cooper, Ms. Davis do you want to update us?

Diane Davis: We did a hearing in, I did speak with Anita on this, and we felt it was better to come back to the Board.

Anita Duty: You did

Diane Davis: Originally we were supposed to disburse all of the money of record and I do not know why it wasn't. My guess is they disbursed and put some money in. I have seen that happen several times. They do the disbursement and posted the checks for the month. Anyway they did not disburse all the money. According to the prior order it should be 100% paid out. So I guess I am asking the Board if it is o.k. for us to use the same percentages and pay the remainder out and asking Anita if she has any problem with that?

Bradley Lambert: Who would pay to? Is it divided up? Is there more than one?

Diane Davis I think there was two, hold on just a moment.

Anita Duty: I think the strange thing is we had a small order that said there is still residue in the account we are going to pay this out.

Diane Davis: We tried to do this before.

Anita Duty: Right

Mary Quillen: Has more money been put into it? Is that why it is showing up?

Diane Davis: It has been setting there for a good while and I just ran across the fact.

Anita Duty: We had sent in a vacate order?

Diane Davis When I go to process an order to vacate I check to make certain there is no money in the account.

Mary Quillen: Un huh

Diane Davis: There was money in the account. So I go back, I pull testimony, I look and I see the account should have been closed when we paid out the first people. Reserve Coal Company and Ronald A. Clyborne had a 50/50 split. We paid them out back in September or so of 2001 so this money has been

hanging there since then and my question is can we pay 50/50 to these two parties on what is in there now?

Bradley Lambert: How much are you showing in there now?

Anita Duty: According to the last order that was entered in 09, the one said please disburse the residual balance. There was suppose to have been a refund of a deposit we made for tract 5 that should not been in the account. That needed to be refunded first and then the disbursement of tract 2.

Sharon Pigeon: Was that refunded?

Anita Duty: Not that I can tell. The balance does not reflect it was.

Diane Davis: I have an order here that I voided that was recorded because it did not have that in there the 50/50.

Anita Duty: The one I have is a tract 2 and tract 5.

Diane Davis: All I have is the one order.

Mark Swartz: Can the erroneous deposit be returned to CNX and the other money be divided between Clyborne and Reserve to zero that account out. There are three people that need to get a check out of this account when it is closed. We are in favor of that.

Bradley Lambert: Do we know a dollar amount?

Diane Davis: The dollar amount in the account is as of today or as of June is \$5,510.32. I have the vacate order and I have all my notes that it should have been paid out 100%, well these are not my notes these are Jim's, included with 1031 disbursement order. But it still has a balance of \$5,510.32.

Mary Quillen: How much was the deposit that was made that should have been returned?

Anita Duty: It may have that because it was showing it was \$9,302.38. I guess what I need to see is how much was paid out in the disbursement in 01. I don't that.

Mary Quillen: Do you know how much was deposited to that account that should have been refunded?

Anita Duty: What it shows on the one in 2001 is \$9,302.38, but there is not that much in there right now. So something has happened.

Mary Quillen: Was it disbursed to those two parties or it was disbursed to the two parties and you think CNX has not been reimbursed for that deposit that was made that should not.

Anita Duty: I don't know, we do now get copies of the checks when they go out, but we did not then.

Diane Davis: I would like to present this to you. This was a letter that David Asbury did back in February of 2009 to Judy Barger. It says we have an issue with the above subject unit. We have found a board order that included language to close this account in November 2001. A recap of the order is as follows: The amount of \$9,302.28 was erroneously deposited by the unit operator for Tract 5. Tract 5 was a leased tract and the Board order in 2001 directed the escrow agent to refund this amount to Pocahontas Gas Partnership. Then the remaining funds of \$11,064.90 were to be disbursed under a 50/50 split agreement to Clyborne Capitol and Reserve Coal Properties. After both actions, the Board order directed the escrow agent to close the account. Upon review, December 31, 2008, which we are now looking at June, Wachovia reflects a balance of \$5,506.61. We asked them to look at this and let us know. I believe we have gone back and looked and determined, it is my feeling that that \$5,506.61 belongs to Clyborne and the other one because it was just not fully disbursed. I can't tell you why.

Sharon Pigeon: How much were you saying you needed back Anita?

Anita Duty: I was looking at the previously order.

Diane Davis: That has to have gone because the balance you have is way up there. You can probably go back and find out where it was paid. I think they paid out the \$9,302 and a portion of the rest but for some reason they did not pay out the whole thing. They may have looked at the dollar amount and paid it out by dollar amount instead of with percentage. But the best I can tell, based on testimony should have been closed and should have been the \$9,000 to them refunded and the remainder 50/50 to Clyborne whoever I said earlier. So basically to close this account is this 50/50 be paid to those parties because that is where I think it goes.

Sharon Pigeon: I have a very old note here when Bob Wilson addressed the board about this unit. He said funds had been deposited after the Board order disbursement on 10/31/01. So this was just a late deposit. The order was probably in the process and interest was only going in at that point. The number on that date was \$4,861.54 which would track what Diane has there.

Diane Davis: Again, I really believe it belongs to the two parties and should be disbursed to them.

Bradley Lambert: Ms. Duty are you objecting to closing out the account based upon the remaining balance be split 50/50?

Mark Swartz: I think I am looking at a spreadsheet from the bank records and I cannot tell who was paid.

Anita Duty: We can work with them on the side that we were refunded \$9,000 and I can look on my side.

Sharon Pigeon: Let's get the names on the record here. Reserve Coal Properties and Clyborne Capitol LLC.

Mark Swartz: You know, she is right. It is not worth arguing about. At the end of the day it is an affiliate.

Sharon Pigeon: Again in 01 there was over \$11,000 in the application.

(inaudible)

Bradley Lambert: So do I have a motion from the board to disburse the remaining funds in that balance 50/50 to Reserve Coal Properties and Clyborne Capitol, LLC to close out the account.

Al Compton : Motion to approve.

Mary Quillen: Second

Bradley Lambert: I have a motion and a second. Any further discussion? All in favor signify by saying yes (yes) , opposed (none). Thank you folks. Ms Davis are you all o.k. with that.

Diane Davis: Yes sir

Anita Duty: What about the vacate?

Diane Davis: Then I have an order here to vacate.

Item 6 VGOB 02-0820-1057-01

Bradley Lambert: Calling docket item number 6. A petition from CNX Gas Company, LLC for disbursement of funds from escrow regarding tract 2E and authorization for direct payment of royalties on behalf of Swords Creek Land Partnership and Nellie Stilwell Unit FF-35. Docket Number VGOB 02-0820-1057-01. All parties wishing to testify please come forward.

Bradley Lambert: You may precede Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Thank you, Anita would you state your name for us again please?

A: Anita Duty

Q: This another disbursement request, correct?

A: Yes

Q: It pertains to what drilling unit?

A: FF-35

Q: What tract in that unit?

A: Tract 2E

Q: And if this disbursement request were approved would it close out the escrow account or would the escrow account still need to be maintained?

Q: What is the reason for this request?

A: A royalty split agreement.

Q: And have you actually looked at that agreement?

A: Yes

Q: In substance what does it provide?

A: It is a 50/50 royalty split agreement.

Q: Have you prepared a spreadsheet with regards to balances and percentages pertaining to the proposed disbursement?

A: Yes

Q: And is that the last page of your petition, exhibit A1?

A: Yes

Q: And did you make a comparison of the payments the operator had made to the deposits the escrow agent reported with regard to this unit?

A: Yes

Q: Did you make that comparison as of a specific date?

A: May 31, 2012

Q: The wells that contributed to this escrow account were which wells?

A: FF35 and FF35A

Q: After this disbursement there will still be money on deposit as shown by your deposit A-1, correct?

A: There will

Q: Are you requesting with regard to the parties who have entered into this split agreement that the operator be allowed to pay them directly in the future if this disbursement is made and application is approved?

A: Yes

Q: And with regard to the other folks, obviously you are going to continue to escrow those funds?

A: Yes

Q: When you compared the banks deposit records and the operator's payment records, were they in agreement or were there some difference?

A: There were two discrepancies.

Q: What were those discrepancies?

A: The check of August of 2006 and September of 2006.

Q: So a check that the operator issued for royalties on August 25th 2006 is not in the bank's deposits records?

A: No

Q: As far as you know that check was cashed?

A: We did check to make sure that the checks were not voided and they weren't.

Q: What was the amount of the missing deposit?

A: It totaled \$459.35.

Q: What about the August 25th, 2006 deposit?

A: \$130.85

Q: Then the other payment you made that you cannot determine was deposited by the escrow agent in this escrow account, that check was dated what date?

A: September 25, 2006

Q: And the amount of that check was?

A: \$328.50

Q: If you total those the payments made that are not accounted for in FF35 what is the total that is not there?

A: \$459.35

Q: Do you know where that money went?

A: No

Q: So the escrow agent got it but you don't know where it was deposited?

A: Yes

Q: So the balance of \$42, 171.30 as of 05/31/12, is that the bank balance in that escrow account?

A: It is.

Q: What you are saying is that balance should reflect another \$459.35.

A: Yes

Q: To be accurate?

A: To match what we have.

Q: In terms of making progress sort of along the last time we were here, or the last case we talked about, would it make sense to make the proposed disbursement based on the bank records, because that would be the minimum

these people would be entitled to and have the bank look for this money? Or what would you recommend here?

Diane Davis: Do you have copies of the checks?

Anita Duty: nothing

Sharon Pigeon: Is that a no for the record?

Anita Duty: I have requested that somebody in our comptrollers find these checks. We have had third party administrators and that is our biggest problem. I know there are still some things we are working with Mr. Cooper right now to try and find it.

Diane Davis: That is the only way to resolve it is to see the front of the check and see where that money went.

Anita Duty: We don't understand why the escrow agent doesn't have, they work for the Board, they don't work for us. Why don't they give you a copy of the check? All we have is electronic data we don't have paper.

Mary Quillen: Was this in 2006?

Anita Duty: Yes

Mary Quillen: So that means Wachovia?

Mark Swartz: Wachovia

Bradley Lambert: We are finding out some of the details of what we are trying to figure out and why that escrow doesn't match. Again, I am going to emphasize we are not talking about thousands of dollars here. We are only talking about a few hundred dollars.

Sharon Pigeon: This is almost the opposite amount of the previous matter and maybe we can find it there in that sub-account?

Bradley Lambert: It makes sense.

Diane Davis: Without seeing the front of those checks I don't know we could ever determine where that money was posted.

Mark Swartz: Excuse me for suggesting that if we could come up with a copy of the checks it would not answer the question we are asking. It would show that the check was cashed by a bank but it would not tell us where they put it.

Diane Davis: It would, it could. Many times they have put the wrong number accidentally on the front of the check.

Bradley Lambert: We have found that to be the case that some of the wrong unit numbers are on the checks. Again, that is some of the details we are trying to get to. I don't think that has a real bearing on us being able to move forward with this one.

Mark Swartz: We are trying to find a way to pay out what we know is there and ponder this problem without taking some ones money. I will suggest that if Wachovia had computers in 06, I would think they could drag their data base for checks in that month of \$130.85 and \$328.50 and they ought to be able to find those deposits pretty simple if they wanted to. I understand it is not sometimes a priority for them. This should not be that hard. We don't have the answer as we set here today.

Anita Duty: Because this was a third party administrator they don't want us to come back to them give us a copy of a check because they don't work for us anymore.

Bradley Lambert: And neither does Wachovia. So we are in this dilemma of how, we are here now and how do work through this. We don't know what happened back in 06.....

Anita Duty: Right

Bradley Lambert:and how we move on.

Mark Swartz: We can disburse roughly \$20,000 to these people without accidentally dispersing somebody else's money and continue to try and resolve this.

Bradley Lambert: I think that is the point, we are still going to disburse but there is going to be \$22000 left in there and that gives us another opportunity.

Mark Swartz: An \$450 that should be there

Anita Duty: I don't want to tell you I looked at them and they were all there.

Bradley Lambert: We understand and we appreciate your coming forward and telling us that, again that is some issues by December of this year we are going to have to figure out. We have a few months to do that.

Anita Duty: I completely understand.

Donnie Ratliff: Mr. Chairman, did we not make a motion last meeting that if it was less than \$1,000 and staff could work with operators they could make those corrections without coming back to us.

Bradley Lambert: We did

Mark Swartz: See, the one meeting you tell me not to come to something cool happens. Did you know about that?

(laughter)

Anita Duty: No

Sharon Pigeon: I can send you the transcript (laughter). We needed to hear all of this today.

Mark Swartz: Right, not a problem, but at least it gets us a resolution.

Bradley Lambert: Ms. Pigeon is correct on that. We need to hear that because that is some of the very minor issues we are trying to deal with to balance out the account. It is good to be able to hear that. We are going both ways here and it is

not all one-sided but it is both ways. In most cases it could be an accounting error or a data entry error or something. We are figuring that out. Anything further Mr. Swartz?

Mr. Swartz: Yes

Anita Duty continues to be cross-examined by Mark Swartz

Q: So with regard to this proposed disbursement who are the recipients and what are the percentages the escrow agent should use?

A: Swords Creek Land Partnership and Nellie Stilwell should each receive 24.4602%

Q: Of the balance on deposit at the time the disbursement is made?

A: Yes

Q: And to the extent that more money finds its way into the account, then there will need to be a recalculation with regard to further funds to these folks, correct?

A: Yes

Q: Basically what you are saying is the account may be short \$459.35

A: Yes

Sharon Pigeon: Are you calling for these individuals to be paid directly?

Mark Swartz: Yes, that is all I have.

Bradley Lambert: Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Any further discussion from the Board? Do I have a motion?

Mary Quillen: Motion to approve.

Unknown: Second

Bradley Lambert: I have a motion and a second the motion being we go ahead and approve disbursement based on the current balance the bank is showing.

Unknown: Yes

Bradley Lambert: All in favor signify by saying yes (Yes), opposed (none). Ok folks that is approved.

Item 7 VGOB 02-0618-1033-01

Bradley Lambert We are calling docket item number 7 a petition from CNX Gas Company, LLC for the disbursement of funds from escrow regarding Tracts 1B and 1C and authorization for direct payment of royalties on behalf of Swords Creek Land Partnership and Nellie J. Stilwell for Unit FF34. Docket number VGOB 02-0618-1033-01. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Anita state your name for us please.

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: This is another petition to the board for disbursement?

A: Yes

Q: It pertains to what unit in this instance?

A: FF34

Q: What tracts in that unit?

A: 1B and 1C

Q: This is a partial disbursement?

A: Yes

Q: And are you also requesting that if the disbursement is approved, that you be allowed to pay the folks receiving the disbursement directly in the future?

A: Yes

Q: What is the basis or reason for this disbursement request?

A: Royalty split agreement

Q: Have you reviewed that?

A: Yes

Q: In substance what does it provide?

A: 50/50 split

Q: Have you prepared an exhibit A1 for us to use with regard to that proposed disbursement?

A: Yes

Q: Is it the last page of your application?

A: Yes

Q: You have called it exhibit A1

A: Yes

Q: What is the date that it was done as of?

A: May 31, 2012

Q: At or about May 31, 2012 did you compare the operator's payment records to the collections of the bank's deposits?

A: Yes

Q: When you made that comparison what did you determine?

A: They were all accounted for

Q: In exhibit A1 you indicated the well that has been paying into this account. What is it?

A: FF34

Q: Who are the folks that should receive this disbursement with regard to Tract 1B and what percentage should the escrow agent use in calculating the dollars they should receive?

A: Swords Creek Land Partnership and CNX Gas Company, LLC should each receive 3.8801 percent.

Q: With regard to Tract 1C who is to receive that and what percentage should the escrow agent use when calculating the disbursement amount?

A: Swords Creek Land Partnership and Nellie Stilwell should each receive 3.5885 percent.

Q: At the time the disbursement is made the escrow agent should use that percentage to calculate the amount, correct?

A: Yes

Q: So if this application is approved are you requesting that you be allowed to pay these people directly in the future.

A: Yes

Q: That is all I have Mr. Chairman

Bradley Lambert: Any questions from the Board?

Sharon Pigeon: Do you have a split agreement on Tract 1B?

Anita Duty: Yes

Sharon Pigeon: That would be between Swords Creek and CNX Gas?

Anita Duty: Yes

Sharon Pigeon: Ok

Bradley Lambert: Any other questions? Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Do I have a motion.

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you that is approved.

Donnie Ratliff: Mr. Chairman?

Bradley Lambert: Mr. Ratliff

Donnie Ratliff: Did all the gas companies get a copy of the audit? Because we adopted the recommendations. There were four of them, I think.

Bradley Lambert: The RFC audit?

Donnie Ratliff: Yes

Bradley Lambert: I am not sure? Did we Mr. Cooper?

Rick Cooper: I don't think we did What was the question again?

Donnie Ratliff: Maybe you could scan in the audit report and make sure each company gets a copy since the Board moved to follow through on the recommendations made by RFC.

Bradley Lambert: In our last meeting.

Rick Cooper: Ok

Donnie Ratliff: I think there were four things in that.

Rick Cooper: We have not but we can.

Mark Swartz: If you don't mind, could you send me a copy as well.

Rick Cooper: We will.

Sharon Pigeon: We could also send a link to the transcript we got a few days ago and this discussion is attached in that.

Bradley Lambert: Is the transcript posted?

Sharon Pigeon: It is not there yet.

Diane Davis: They changed that process as you know from the people that added them to the division.

Item 8 VGOB 09-0616-2525-02

Bradley Lambert We are calling docket item number 8 a petition from CNX Gas Company, LLC for refund of escrow balance and to vacate order for Unit Z-56. This is docket number VGOB 09-0616-2525-02. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: State your name for us please.

A: Anita Duty

Q: I will remind you that you are still under oath. This is a miscellaneous petition with regard to Unit Z-56?

A: Yes

Q: This involves an escrow account but it is a little different than the other ones that we have had today, right?

A: Yes

Q: The reason for this request is because everybody is now leased in this unit, is that right?

A: Yes and the only money that is in the account right now is for a bonus consideration payment, so we are asking to have it back because we have already paid the owners through their lease. There is no need to have this account open anymore or have the order period.

Q: And in addition to getting the escrow bonus money back you are also requesting that the Board vacate the pooling order that established the escrow account because it is not a voluntary unit?

A: Yes

Bradley Lambert: All parties were leased, there is bonus money in there. You are asking that that be returned to you, correct?

Anita Duty: Correct, and that is the only thing that is there.

Bradley Lambert: That will close out the order?

Anita Duty: Yes

Bradley Lambert: Or close out the account?

Anita Duty: Yes

Bradley Lambert: Any comments Mr. Cooper or Ms. Davis?

(no response)

Bradley Lambert: Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Any questions or comments from the Board?

Sharon Pigeon: He does want to close?

Bradley Lambert: Vacate. Do I have a motion?

Bill Harris: Motion for approval

Al Compton: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). The order will be vacated and the account will be closed.

Item 9 VGOB 01-0821-0907-01

Bradley Lambert We are calling docket item number 9 a petition from CNX Gas Company, LLC for the disbursement of funds from tract 3 and authorization for direct payment of royalties on behalf of CNX for Unit AV-109. Docket number VGOB 01-0821-0907-01. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Anita state your name for us please.

A: Anita Duty

Q: This is another miscellaneous petition requesting a disbursement from an escrow account, correct?

A: Yes

Q: It pertains to what unit?

A: AV109

Q: What tract?

A: Tract 3

Q: Will it zero out tract 3?

A: Yes

Q: And in fact in relief sought you say it is 100% of the escrow funds, correct?

A: It

Q: If this happens there will no longer be an escrow account with regard to AV109 for anybody?

A: Correct

Q: Is there an agreement; is the basis for your request with regard to this disbursement?

A: Yes

Q: This agreement was called by the parties an assignment of escrow account, correct?

A: Yes

Q: Have you seen that agreement?

A: Yes

Q: In substance is it true that all of the claimants to this escrow account have assigned their interest, whatever they might be, to the operator, CNX?

A: Yes

Q: Then they have a further agreement as to how CNX once it receives the disbursement is going to distribute that money?

A: Correct

Q: So that is the contractual basis for this request?

A: Yes

Q: Have you presented in A1 with regard to this or is it simply a request? It looks like it is simply a request that 100% of the balance on deposit as of the date of the deposit be paid to CNX?

A: Yes

Q: That is all I have Mr. Chairman

Bradley Lambert: We don't have an A1

Mark Swartz: We don't need one. The request is that 100% of the money on deposit be paid to CNX at the time of disbursement.

(Inaudible)

Sharon Pigeon: You are saying there is a secondary agreement that then directs CNX to pay various people.

Mark Swartz: I think it is the same agreement actually. They made an agreement that they would assign their funds, all of their claims to CNX and that CNX would disburse those funds.

Bradley Lambert: Have you seen that agreement?

Anita Duty: Yes

Bradley Lambert: Is it the same for both parties?

Sharon Pigeon: Are there just two parties? How many parties are we talking about?

Mark Swartz: There are a lot of parties.

Bradley Lambert: It is the same agreement for all the parties?

Anita Duty: Yes

Mark Swartz: It pertains to a number of units. It just happens that AV-109 happens to be one of them. There are twelve units subject to this assignment and it has been signed by seven individuals and one corporation.

Anita Duty: Yes

Sharon Pigeon: So the Rasnake heirs on one side and Buckhorn Coal on the other side?

Mark Swartz: Just go ahead and tell her who the parties of the assignment are.

Anita Duty: James Rasnake, Lucy Blankenship, Peggy Rasnake, Bobby Rasnake, Donna Whitt, Harold Dye, Deborah Carlott and Buckhorn Coal Company, LLC.

Sharon Pigeon: And you have signatures by all of those individuals?

Anita Duty: Yes, they have all signed the agreement. This happens this is 100% of the unit so it was an easy one to take care of first.

Bradley Lambert: Any questions from the Board? Anything further?

Sharon Pigeon: This is all from AV109

Mark Swartz: Actually the agreement pertains to AV109 and other units.

Sharon Pigeon: I understand your agreement pertains to other units, but what we are talking about right now is only that one well?

Anita Duty: Yes

Mark Swartz: Yes but it does pertain to this one.

Sharon Pigeon: That is the only well that contributed to the escrow on this one?

Anita Duty? Yes

Sharon Pigeon: Since we had no A1

Mark Swartz: That is fine. Understood.

Bradley Lambert: If there is no further discussion, do I have a motion?

Donnie Ratliff: Motion to approve

Mary Quillen: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you that it is approved.

Item 20 VGOB 12-0515-3065

Bradley Lambert We are calling docket item number 20 a petition from CNX Gas Company, LLC for pooling of coalbed methane unit ZZZ-32. Docket number VGOB 12-0515-3065. This docket item was continued from June.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may proceed Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Anita, state your name for us please.

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: This is our first pooling application today so I am going to ask you a few more questions about the operator and your employer, Ok?

A: Ok

Q: The applicant here on this application is whom?

A: CNX Gas Company

Q: Is CNX Gas Company a Virginia Limited Liability Company?

A: Yes

Q: Is it authorized to do business in the Commonwealth?

A: Yes

Q: CNX is the applicant but is it also requesting that it be appointed as operator if this application is approved?

A: Yes

Q: In that respect or regard, has CNX registered with the DMME as an operator?

A: Yes

Q: Does CNX Gas Company, LLC have a bond on file as is required for well operators?

A: It does

Q: This unit is in what field?

A: It is Oakwood

Q: How many acres?

A: 80

Q: This was actually filed in May and we have continued it several times and we are having the hearing today?

A: Yes

Q: What did you do when this was originally filed to notice people that ultimately we were going to have a hearing on this unit?

A: Published the notice and location map in the Bluefield Daily Telegraph on April 20, 2012.

Q: What did you do with regard to mailing?

A: Mailed certified mail-return-receipt-requested on April 13, 2012.

Q: Have you provided or are you about to provide your certificates with regard to mailing and publication to Mr. Cooper?

A: Yes

Q: Have you added any respondents since this was originally filed?

A: No

Q: Do you want to add any today?

A: No

Q: Do you want to dismiss any respondents from the original list?

A: No

Q: What interests have you acquired in this 80 acre unit and what interests are you seeking to pool? In that regard you passed out some revisions today?

A: I have

Q: As we sit here today what interests has the operator acquired and what interest is the operator seeking to pool?

A: We have acquired 78.1875% of the coal owners claim to cbm, 72.0062% of the oil and gas owners claim to cbm. We are seeking to pool 21.8125% of the coal owner's claim to cbm and 27.9938% of the oil and gas owners claim to cbm.

Q: You have filed today a revised exhibit A, Page 2 with regard to those percentages, correct?

A: Yes

Q: You have also revised a page of the application, correct?

A: Yes we removed the error where we on Paragraph 9 we had referred to the Buchanan Number 1 mine and we removed that.

Q: So you fixed the cost estimate?

A: I did

Q: You have also provided a revised exhibit B3. What has changed on that?

A: We were showing on the LBR Holdings a different fractional interest and we were contacted by I guess their engineering firm....

Q: Mr. Whitt?

A: Mr. Whitt, yes, I could not think of his name and we corrected. So it was a correction of the fractional interest.

Q: Is there anything else you have provided?

A: It also affected the E

Q: You would have incorporated the percentage correction that Whitt Engineering or Earl Whitt called you about in both the B3 and E?

A: Yes

Q: Do we have any split agreements in this unit, an exhibit EE?

A: No

Q: Have you provided a cost estimate with regard to the proposed well?

A: \$342,336 with an estimated depth of 2,275 feet and we have no permit yet.

Q: Ok, and that well, the location of that proposed well is mapped on the plat correct?

A: Yes

Q: It is within the drilling window?

A: It is

Q: At least at this time you are only talking about drilling one well?

A: Yes

Q: Is there an escrow requirement, we have already talked about exhibit E but I need you say yes or no.

A: Yes

Q: What tracts does that escrow requirement pertain to?

A: A portion of tracts 3 and 5

Q: This is one of those situations with LBR Holdings and the cousins where only a piece of it is actually escrowed?

A: Correct

Q: You have reflected that on your exhibit E.

A: We have

Q: With regard to lease terms and so forth, what are the lease terms that your company has offered to folks that you have been able to lease in this unit and neighboring units?

A: Five dollars per acre per year with a five year paid up term and a 1/8th royalty.

Q: Would you propose those same terms to the Board for the deemed to have been leased provision in the event this application is approved?

A: Yes

Q: Is it your testimony that drilling one coalbed methane well that is a frac well in the drilling window of this unit is a reasonable way to develop the coalbed methane resource?

A: Yes

Q: That is all I have

Bradley Lambert: I think I missed it, there is only one well?

Mark Swartz: One well

Bradley Lambert: You are showing 32A and 32 in the plat.

Anita Duty: I will submit a new one. One of these wells needed to be removed. We will get a new plat.

Mark Swartz: It looks like if you look at your AFE you have costs for the 32 well but not the 32A.

Anita Duty: I think it was proposed at one time and we realized we could not do it.

Mark Swartz: So we are going to give them a new plat that shows the one well that we have provided cost estimates on.

Bradley Lambert: Any other questions from the Board? Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Do I have a motion.

Unknown: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you that is approved. This is approved.

Item 21 VGOB 12-0515-3059

Bradley Lambert We are calling docket item number 21. The Board on its own motion will hear a petition from CNX Gas Company, LLC for the pooling of coalbed methane unit C-20. This is being placed back on the docket for review of

election options for a second well in the unit. This is docket number VGOB 12-0515-3059. Continued from May. Mr. Cooper would you like to bring us up to speed on this one please?

Rick Cooper: This is one on the dual units on the dual wells in a unit. There was testimony previously, and I guess the question is should we accept dual wells in a unit upon first call?

Mark Swartz: Upon what, what were the last two words you said?

Rick Cooper: I guess the question is should we be accepting two units, two wells in a unit when you establish that.

Sharon Pigeon: For instance he is talking about the older field rules, the field rules provide for one well.

Mark Swartz: Except we have gone back in and modified those rules if it is not driven by coal mining...

Sharon Pigeon: Specifically for individual units. The field rules generally says one well.

Mark Swartz: We could not drill a second well in an Oakwood Unit if we didn't do an infill modification or have a coal mining basis to do that. So I am saying the only way we can go there is under the statute to degas the coal, which I assume we would provide Mr. Cooper with a mining plan so he would have an ability to make a judgment in that regard. Or, if wasn't driven by a mine plan, we need to have an infill petition that you act favorably on or the Oakwood Rules only allow you to drill one well. You are absolutely right. We have drilled a lot of more than wells and it is one of those basis or the other.

Bradley Lambert: I think what this is supposed to be, what we are being asked to look at is we had a situation and this says was it May that CNX petitioned for a second well that was approved but you were not going to allow election options for that second well based upon whether or not election options were provided for the first well.

Sharon Pigeon: You are providing election options based on the total for the two wells, the total cost for two wells? Your percentage would be of the total for the two wells. That is what you brought before the Board.

Mark Swartz: I don't think....The issue is really, I understand what you are saying, is the issue as I recall because this has come up a lot. When we start with a unit as one we just did the last one before this. There were potentially two wells in there. We decided to go forward with one. Let's assume that at some point in the future we come back for a second on that which I think was the unit we were talking about in May. We had one well and we were back looking for a second one. There are several issues I recall discussing with the Board. I think in May and other occasions as well. If an operator comes in and proposes one well in a unit and the Board order is issued. The people who are pooled by that order have an opportunity to participate in that first well that was under consideration and they have a number. The problem from my standpoint and my client's standpoint is if you provide a person with an election option on the first well and that person decides not to elect to participate, ok. So now you have a unit with one well where everybody is a royalty owner and there are no participating operators. And you at some point in the future, which happens a lot, decide to drill a second well and you notice everybody because this Board has told us unequivocally that if we want to drill a second well in the unit we need to come back. So we come back in front of the Board now, sometimes years later, and we have a second well in the unit that has a cost and we disclose that cost. Then the dialogue comes up, if no one has participated the first time around, have they waived their right to participate period. Which is a legitimate question. If a person who didn't participate the first time around might step up and say well I didn't want to participate in the first well, but I want to participate in the second well. So then the question arises, can you punt on the first well and participate in the second well. Or if you are going to participate at that point, do you need to participate in both? I don't have any of the answers here other than, if you don't participate the first time around, is it appropriate to determine that you have no option to be an operator in that well, or is it not. If you have an option to participate, I certainly would not necessarily recommend this, but do we have to

go back to day one and start figuring interest and all of that complex accounting. Can you start over and participate in the second well. I have difficulty imagining what the other participants, if there were any in the first well, might have to say about poaching on their infrastructure if you are sharing roads that they paid for. I don't know. I think it is an interesting question, I don't know the answers. There are certainly a lot of opportunities for different outcomes.

Bill Harris: To me associated with that also is the other part of the question. Suppose I elect to participate in the first well, the second well comes along and I don't have the money or desire to participate. If I am participating in the first well, does that mean I am automatically deemed to participate in the second. Should that not work both ways?

Unknown: Should work both ways

Bill Harris: Shouldn't that work both ways?

Mark Swartz: Well the way it normally was....

Bill Harris: It is easy to say but I am sure.....

Mark Swartz: The way it normally works in industry which is why you get some resistance from us. If companies, if operators get together to develop acreage and enter into a joint operating agreement. As a participant in a joint operating agreement, generally speaking you are offered an opportunity to participate in a well. If you get into that well, ok, your one shot to get into that well is the first shot. So if you participate in that well and make the decision to do that you are then in that well for the duration. So if that well is re-worked, you are in that well. If that well is plugged you are in that well. If another well is proposed, you have waived your right. If you did not participate in the first one in a unit, you don't get a second bite at the apple, in industry ok. If you participate in the first well and another well is proposed under the joint operating agreement in that unit, you can participate but you do not have to. So we are looking at is how do we treat other operators generally speaking in a joint operating agreement and it is you have to participate in the first well to be entitled to take a stab at the second well. If you participate in the first well and there is a second

well as opposed to re-working or additional work on the first well, you can punt that. So if you are in the first one you can punt the second. But if you are not in the first one, you can't jump on the train with regard to the second one. So the resistance you get from me, and to some extent from my client, is this is how it generally works when people are in business together developing acreage as joint participants. So you would never have a situation where you passed on the first well in the unit and then you are saying, oh but, that one has worked out really good and maybe I didn't make the right call. I want to jump on this unit on this second well. So we don't have that when we are dealing with other members in industry who are participating in units and that is the thinking.

Bill Harris: That is the custom?

Sharon Pigeon: By agreement.

Mark Swartz: By agreement, but it is by custom and usage in industry.

Sharon Pigeon: Agreements between operators, we are talking about a different situation when we are talking about compulsory pooling.

Mary Quillen: The person in the first well takes all of the risk. So why should they take all the risk.....

Mark Swartz: They take the shot in the dark.

Mary Quillen: The second well, when somebody jumps on board if the first one is really good....

Mark Swartz: To push that kind of issue, the poaching, you are letting somebody else spend the money to develop the data that would enable the next person in line to make a little more certain choice and is it appropriate to kind of reward that first person with the opportunity to participate in the second well and not reward someone who took a pass awaiting more data or for whatever reason. So that is the custom in the industry. To kind of get to your question, the orders that we currently have would not force someone who participated in the first well, Mr. Harris, to participate in another well. That is an enormous undertaking. Industry frankly the agreements that we see and the custom in the

industry is you make decisions a well at a time. It is a lot of money for companies and people. That would not be an outcome in any board order that I am aware of that has ever been entered by this Board. That if you participate in one well a second one is proposed, you are stuck.

Bruce Prather: It would appear to me that original acreage involved in this unit would define the fact that you sign on to that unit in the first well, then you have options from then on. But if you don't sign on on that thing, it don't matter how many wells you drill on it.

Mark Swartz: That has been our position.

Bruce Prather: I think that is more or less industry's position.

Mark Swartz: It has been our position in front of the Board as well and that is custom and usage in contracting in the industry.

Bruce Prather: Right

Mark Swartz: It is not, these are people that are dealing pretty much at arms length looking at what is appropriate economic behavior. You essentially have people on equal footing saying it is not right to let somebody fund the exploration and then people cherry pick the outcome. I think that is the thinking behind this. It is not some blah! It is a custom that was developed and gets embedded in laws and contracts.

Bruce Prather: I think Mary kind of hit it on the head that is on the original well these people are taking a risk along with the operator. On the second well if you over at 500' away from the thing you don't have much risk involved. Risk is the basis for taxing and everything else on these.

Mary Quillen: Plus all the infrastructure that is already there.

Mark Swartz: There is some of that is there an infrastructure in place that you are not paying for and you didn't pay for it the first time and then also you have a different risk assessment at that point.

Mary Quillen: That is right.

Mark Swartz: It is a, from time to time, you have an opportunity to make a policy decision. This is to me a policy decision. There is not a Statute in Virginia. There is not a regulation that we have so far in Virginia that says it shall be your policy to do the following. This is a policy choice where you have an opportunity to do as collectively as what you think is appropriate.

Bruce Prather: It would be a ruling then from the Board.

Mark Swartz: I am not sure what you are being asked to do here today other than discuss this, it is a policy decision, sort of a fairness decision as opposed to a outcome dictated by Code. This unit has already been pooled. We are not looking at a pooling order. The people who own gas in this unit are subject to a pooling order. They have assigned essentially their rights in this gas to the current operator. So that is redundant. So now the question is can this operator do something to get more gas? That is where we are. In the policy decision you are facing is the one we just discussed, who has a right to jump on the second well?

Bradley Lambert: In our previous hearing, I think I asked that Ms. Davis go back and research some records to see if we could find out what had been done in the past. We have had testimony that there have been two and three hundred wells that have been this way. What did you find Ms. Davis?

Diane Davis: I found, I did not go all the way back but I did find instances where there was testimony both ways but I cannot say on record the reason it was both ways. The Board would specifically ask the question who gets to make an election right? I should have made copies of those. If you would prefer to continue this one more month, I would be happy to bring you the different portions of transcript that show exactly what the testimony was. Because I can't make the judgment as to the reason behind allowing an election in the second well. Think of the John Sheffield issue, I read one where they the Board said you are going allow for elections, everybody have a chance to make an election in the second well? The answer was yes. Which to me says everybody, but can't say why in that particular well that was said. There could have been a specific reason for it.

Bill Harris: I remember the Sheffield issue and it seems to me there were some issues of notice, timeliness and I am thinking that the times we didn't allow that it was special circumstances.

Mary Quillen: There were extenuating circumstances.

Mark Swartz: Anita and I have come in here and said we omitted, we come back to the boundary line and it changes and all of a new person we had not pooled. We have come in here this order was for naught because it did not completely address the percentages. We did not have all the people and unfortunately we need to start over in terms of election rights. There have been instances where we have come in here and said this is one of those cases where it is kind of a do over. In a do over they get participation right. Then we have been in here at times and we are careful about this, because we are not trying to give all kinds of start over here. Then there have been times where we have come in here and the percentages don't change or only one owner appears and everybody else's percentage remains the same and that person gets an election right because they never had one to begin with. You could go back through the record, and Diane is correct, you need to be careful when you do that because the facts can drive different common sense results and I know for sure that we have been here where we have said everybody gets a new election right because this is a do over unit or these people don't or this person or people do for the reason that they never had one. I don't have a dog in the hunt if Diane wants to do more homework, that is cool.

Diane Davis: I agree with him that there are multiple times it has been done different ways. I just don't want to say to the Board I can tell you exactly why.

Mary Quillen: I think there were extenuating circumstances in my memory of when we have done that so as not to penalize that didn't have a chance.

Mark Swartz: That didn't have a chance.

Mary Quillen: That didn't have a chance, that was left out. There were extenuating circumstances when this allowed.

Sharon Pigeon: The Statute at 45.1-361.22.7 which sets out the election rights refers to well not unit. And while there are other places where that language is not as clear, that tells me that that is the reason we have two AFE's when we have a second well. The percentages are applied against the dollar figure of the well. But I know that Mark and I don't agree on that.

Mark Swartz: Among others

(laughter)

Sharon Pigeon: The list would take the rest of the day.

Diane Davis: If I am not mistaken I think EQT does it by well not by unit. Just to throw that out there. Not the same company but....

Bradley Lambert: I think what we should do is continue this one. I don't know we are going to wrap it up today and maybe ask for an opinion from our counsel on the issue. Maybe she can give some better direction at our next meeting.

Donnie Ratliff: Mr. Chairman, we approved this pooling order, right?

Bradley Lambert: Yes

Rick Cooper: We have.

Donnie Ratliff: The only question is the election rights?

Bradley Lambert: Yes so today we will continue as we have as far as election rights go and we will address this at the next meeting.

Mark Swartz cross-examination of Anita Duty

Q: Anita state your name for us please.

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: This is another petition to the board for disbursement?

A: Yes

Q: It pertains to what unit in this instance?

A: FF34

Q: What tracts in that unit?

A: 1B and 1C

Q: This is a partial disbursement?

A: Yes

Q: And are you also requesting that if the disbursement is approved, that you be allowed to pay the folks receiving the disbursement directly in the future?

A: Yes

Q: What is the basis or reason for this disbursement request?

A: Royalty split agreement

Q: Have you reviewed that?

A: Yes

Q: In substance what does it provide?

A: 50/50 split

Q: Have you prepared an exhibit A1 for us to use with regard to that proposed disbursement?

A: Yes

Q: Is it the last page of your application?

A: Yes

Q: You have called it exhibit A1

A: Yes

Q: What is the date that it was done as of?

A: May 31, 2012

Q: At or about May 31, 2012 did you compare the operator's payment records to the collections of the bank's deposits?

A: Yes

Q: When you made that comparison what did you determine?

A: They were all accounted for

Q: In exhibit A1 you indicated the well that has been paying into this account. What is it?

A: FF34

Q: Who are the folks that should receive this disbursement with regard to Tract 1B and what percentage should the escrow agent use in calculating the dollars they should receive?

A: Swords Creek Land Partnership and CNX Gas Company, LLC should each receive 3.8801 percent.

Q: With regard to Tract 1C who is to receive that and what percentage should the escrow agent use when calculating the disbursement amount?

A: Swords Creek Land Partnership and Nellie Stilwell should each receive 3.5885 percent.

Q: At the time the disbursement is made the escrow agent should use that percentage to calculate the amount, correct?

A: Yes

Q: So if this application is approved are you requesting that you be allowed to pay these people directly in the future.

A: Yes

Q: That is all I have Mr. Chairman

Bradley Lambert: Any questions from the Board?

Sharon Pigeon: Do you have a split agreement on Tract 1B?

Anita Duty: Yes

Sharon Pigeon: That would be between Swords Creek and CNX Gas?

Anita Duty: Yes

Sharon Pigeon: Ok

Bradley Lambert: Any other questions? Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Do I have a motion.

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you that is approved.

Donnie Ratliff: Mr. Chairman?

Bradley Lambert: Mr. Ratliff

Donnie Ratliff: Did all the gas companies get a copy of the audit? Because we adopted the recommendations. There were four of them, I think.

Bradley Lambert: The RFC audit?

Donnie Ratliff: Yes

Bradley Lambert: I am not sure? Did we Mr. Cooper?

Rick Cooper: I don't think we did. What was the question again?

Donnie Ratliff: Maybe you could scan in the audit report and make sure each company gets a copy since the Board moved to follow through on the recommendations made by RFC.

Bradley Lambert: In our last meeting.

Rick Cooper: Ok

Donnie Ratliff: I think there were four things in that.

Rick Cooper: We have not but we can.

Mark Swartz: If you don't mind, could you send me a copy as well.

Rick Cooper: We will.

Sharon Pigeon: We could also send a link to the transcript we got a few days ago and this discussion is attached in that.

Bradley Lambert: Is the transcript posted?

Sharon Pigeon: It is not there yet.

Diane Davis: They changed that process as you know from the people that added them to the division.

Item 22 VGOB 12-0821-3083

Bradley Lambert: Gentlemen we are calling docket item number 22 a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-118. Docket Number VGOB 12-0821-3083. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Mark Swartz cross-examination of Anita Duty

Q: Anita would you state your name for us please.

A: Anita Duty

Q: Who do you work for?

A: CNX Land Resources

Q: You testified earlier this morning.

A: Yes

Mark Swartz: Mr. Chairman I would like to incorporate Anita's testimony with regard to her employment, applicant, operator and the lease terms being offered?

Bradley Lambert: Accepted

Mark Swartz continues cross-examination of Anita Duty

Q: The application with regard to BA-118 is a pooling application, correct?

A: Yes

Q: What kind of unit is this Anita?

A: Middle Ridge

Q: How many acres?

A: 58.74

Q: What did you do to notify people that we were going to have a hearing today?

A: Mailed by certified mail return receipt requested on July 20, 2012 and published notice and location map in the Bluefield Daily Telegraph on July 31, 2012.

Q: Have you brought with you so you can provide them to the Director your certificates with regards to mailing and your publication?

A: Yes

Q: This is in Russell County?

A: Yes

Q: Do you want to add any people in response to your notice or exhibit B3?

A: No

Q: Do we need to dismiss any people?

A: Yes

Q: Have you provided the board with some revised exhibits in that regard?

A: I have

Q: The people that we need to dismiss, what is the reason?

A: They are leased

Q: So you provided the Board with an exhibit B2 which lists the respondents that you originally named who should be dismissed?

A: Yes

Q: It states the reason they were leased?

A: Yes

Q: Have you revised B3 to reflect the fact that they do not need to be pooled?

A: Yes

Q: Have you also had to change the percentages in terms of the interests the operator has acquired as opposed to what you are seeking to pool?

A: We have

Q: Presumably what you need to pool has gone down because of leasing?

A: Yes

Q: As we sit here today, what interest have you acquired in the BA-118 unit and what are you seeking to pool?

A: We have acquired 100% of the coal owner's claim to cbm and 99.9319 of the oil and gas owners claim to cbm. We are seeking to pool 0.0681 percent of the oil and gas owner's claim to cbm.

Q: This Middle Ridge Unit, how many wells are we talking about in this unit?

A: Two

Q: Have you provided the board with cost data pertaining to those wells?

A: Yes

Q: What is the cost information?

A: For well BA-118, \$226,098, estimated depth 2,503 feet, permit number 5352. BA-118A, \$313,311, estimated depth 2,592 feet and we do not have a permit for that one yet.

Q: The first well you gave the cost well estimation on, that well was drilled in 2005 -2006?

A: Yes

Q: Is it your understanding the substantial difference in cost is simply is in the last seven years the cost to drill and frac a well has increased substantially?

A: Yes

Q: So that accounts for the difference, primarily?

A: It does, yes.

Q: Is there an escrow requirement here?

A: Yes, for tract 2H

Q: The reason for that is it is just a traditional conflict?

A: Yes

Q: Have you provided the Board with an exhibit E?

A: Yes

Q: In that regard?

A: Yes

Q: Are there split agreements in this one?

A: There are for 2A, 2B, 2C, 2D, 2E, 2F and 2G

Q: Have you provided the board with an exhibit EE that list the folks that have split agreements and the tracts that they are in so the board order can reflect that we can pay them directly?

A: Yes

Q: The split agreements here, if you take a moment and look at EE, are they all 50/50 agreements?

A: Yes, I am pretty sure they are

Q: If you don't know tell me.

A: Yes

Q: Is it your opinion that drilling two frac wells in this unit is a reasonable way to develop the coalbed methane from within this unit?

A: Yes

Q: Is it also your opinion that if you combine a pooling order pooling the respondents in the revised exhibit B3, would the folks you have voluntary agreements with, would the correlative rights of all the claimants and owners in this unit would be protected?

A: Yes

Q: I believe that is all I have Mr. Chairman.

Bradley Lambert: Any questions from the Board? I don't want to complicate things and going backwards, but how about election rights on this situation, one or both or none?

Mark Swartz: Given the fact that this is the first time this has been pooled, they are going to have an election option.

Sharon Pigeon: Paragraph number 3A says re-pool.

Mark Swartz: As far as I can tell this is the initial pool and the reason we are here is we got an updated title, thought we had a voluntary unit and turns out we did not.

Anita Duty: (Inaudible) We should not have said re-pooling on it.

Bradley Lambert: So it is a pooling, not a re-pooling?

Mark Swartz: Correct

Sharon Pigeon: And the options are, we have two AFE's so it is for the total?

Mark Swartz: So it is for whatever the total is.

Mary Quillen: \$539,409

Bill Harris: So you are saying all in or none.

Mark Swartz: Right

Bill Harris: Or into both, I guess I should clarify

Mark Swartz: Right

Bradley Lambert: Any other questions from the Board? We will need a revised notice of app since in 3A you have 3A re-pooling.

Mark Swartz: Oh, I see what you are talking about.

Anita Duty: O.k.

Mary Quillen: O.k. it does say re-pooling

Bill Harris: You are saying revised notice?

Mark Swartz: It is just paragraph 3 it says it is a re-pooling.

Bill Harris: Revised document, when I hear revised notice I am saying re-noticing everyone, but you are not saying that?

Anita Duty: No just saying just on the notice page. We are not going to re-mail.

Mark Swartz: We will give you a corrected page.

Bradley Lambert: Any other questions? Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Do I have a motion.

Mary Quillen: Motion to approve

Unknown: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none), one abstention, Mr. Ratliff. Thank you it is approved.

Item 23 VGOB-89-0126-0009-77

Bradley Lambert: Calling docket item 23 a petition from CNX Gas Company, LLC for modification of the Nora Coalbed Gas Field Order to allow a second well in Unit V82. Docket Number VGOB 89-0126-0009-77. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may precede Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: You will state your name please.

A: Anita Duty

Q: Whom do you work for?

A: CNX Land Resources

Mark Swartz: I will remind you that you are still under oath

A: O.k.

Q: This is a request to modify the Nora Field Rules with regard to Unit V82, correct?

A: Yes

Q: What is it you are asking for?

A: To be able to drill a second well in the unit.

Q: O.k. and is there already a first well in the unit?

A: Yes

Q: Was it pooled, or was it a voluntary unit or do you know?

A: It is a voluntary unit

Q: O.k. so we have a situation here where 100% of the unit is leased, but because it is in the Nora Field you still need permission from the Board to drill a second well in this unit?

A: Yes

Q: That is what you are asking for today?

A: Yes

Mark Swartz: That is all I have.

Bradley Lambert: Any other questions from the Board?

Mary Quillen: There is already one well in this unit and it has been pooled?

Mark Swartz: No, it is a voluntary unit.

Mary Quillen: Oh, so it is a voluntary unit. So this one is also a voluntary unit?

Mark Swartz: Well it is the same voluntary unit, but we want to drill the second well and we need your permission to do so...

Mary Quillen: Right got you

Mark Swartz:to modify the Nora Rules to allow that to happen.

Bruce Prather: What about the royalty owners on a situation like this. Would this second well be offered?

Mark Swartz: We actually have all of it leased, so we have a contract with them, we have leases from all these people. So nobody is getting any election rights. It is a voluntary unit. Otherwise we would be there on it. This essentially, not essentially, this is a petition that seeks your permission to allow CNX to drill a

second well in a voluntary unit that we have 100% leased because the Nora rules only allows us to drill one, unless we get Board approval.

Mary Quillen: Right, we are just trying to make it harder than it is.

Mark Swartz: No, the facts change and you need to understand what we are doing.

Mary Quillen: We are just over cautious now.

Mark Swartz: I am not going to react to that in a negative way. It is your job. I am not going to pretend I am being persecuted.

(laughter)

Bradley Lambert: Do you have anything further?

Mark Swartz: No

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none) It's approved.

Mark Swartz: Thank you.

Item 24 VGOB 01-0320-0880-01

Bradley Lambert: A petition from CNX Gas Company LLC for re-pooling of Unit B-31. Docket Number VGOB 01-0320-0880-01. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may precede Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Thank you, state your name please.

A: Anita Duty

Q: Whom do you work for?

A: CNX Land Resources

Mark Swartz: I will remind you that you are still under oath and request Mr. Chairman that you incorporate Anita's prior testimony today about her employment, applicant and operator and standard lease terms if you would?

Bradley Lambert: Accepted.

Mark Swartz continues cross-examination of Anita Duty

Q: This unit was pooled in the past, correct?

A: Yes

Q: What was the board order it was pooled under, the number?

A: 01-0320-0880

Q: So it was probably somewhere in 2001, somewhere in there, correct?

A: Yes

Q: It had one well in it as a result of that pooling?

A: Yes

Q: And now on a re-pooling we are asking the Board to allow the operator to drill a second well, correct?

A: Yes

Q: You have shown both of those wells on your well plat and it looks like both of the wells are going to be inside the drilling window, correct?

A: Yes

Q: What cost data have you provided to the Board with regard to those wells, collectively and individually?

A: For well B31 the cost is \$203,628.89, depth 2,013.1 feet, permit 4751; for B31A, \$368,102, estimated depth 2,416 feet and no permit yet.

Q: What did you do to notify to your respondents that we were going to have a hearing today?

A: Certified mail, return receipt requested on July 20, 2012 and published the notice and location map in the Bluefield Daily Telegraph on July 30, 2012.

Q: Have you brought with you to file with Mr. Cooper today your certificates with regard to mailing and your proof of publication?

A: Yes

Q: Do you want to add any people as respondents today?

A: No

Q: Do we need to dismiss anyone as a respondent?

A: No

Q: This is an Oakwood 80 acre unit, correct?

A: It is

Q: In general, but not exclusively, it involves issues between LBL Holdings and their cousins, and we have seen that before?

A: Yes

Q: In addition to re-pooling this to get permission to drill a second well in this unit, are there also some other issues you are addressing?

A: The acreage

Q: And in that regard has the percentages involved in several tracts changed?

A: Yes

Q: Except for the Cousins do you have everybody leased?

A: Yes

Q: So when we make this change or re-pooling, the Cousins are going to get a start-over election option because their interest in this unit has changed?

A: Yes

Q: Obviously a relationship with everybody else in the unit is contractual?

A: Yes

Q: What interest has re-acquired in this unit and what interest are we re-pooling?

A: We have acquired a 100% of the coal owners claim to cbm, 93.8594% of the oil and gas owners claim to cbm. We are seeking to pooling 6.1406% of the oil and gas owners claim to cbm.

Q: We have an escrow requirement here, correct?

A: Yes

Q: What tract does it involve?

A: Two

Q: And that is the one that the Cousins are in?

A: It is

Q: With regard to that tract and the escrow, does it continue to be the case that not a hundred percent of the royalty needs to be escrowed, but just a portion of it?

A: That is correct

Q: And you have indicated that in your Exhibit E?

A: I have

Q: There are no split agreements; at least that we are aware, as we sit here today?

A: No

Q: So to sum up then, do you believe it is a reasonable way....that it is reasonable to drill two frac wells in the drilling window of this Oakwood 80 to develop the coalbed methane from this unit?

A: Yes

Q: Do you believe if the Board re-pools this unit to pool the respondents with the people you already have contractual agreements with the correlative rights of all owners and claimants would be protected?

A: Yes

Q: Are you requesting that the Cousins who are being pooled and whose interest in this unit is changing that they be afforded an election option to participate in the first and second well?

A: Yes

Mark Swartz: That is all I have.

Bradley Lambert: Any questions from the Board?

Bruce Prather: I have one question, is the reason you are having the change because your GPS mapping system now versus what you had on the survey originally, you are just correcting that? Is that the reason?

Anita Duty: Yes it is. We did not have the survey before.

Bruce Prather: But you have the GPS now and you are using it?

Anita Duty: Yes

Sharon Pigeon: Do I have the right plat here? I have 2A, 2B, 2C.

Anita Duty: That is how we identify the different surface owners. The tract ID behind it.

Sharon Pigeon: Which part on this plat changed that you needed to re-notice or re-pool?

Anita Duty: The acres for all three mineral tracts have changed.

Sharon Pigeon: One, two and three?

Anita Duty: Yes, slightly but still a change.

Bradley Lambert: This is a re-pooling?

Anita Duty: Yes

Bradley Lambert: In paragraph 3A it is listed as a pooling.

Anita Duty: It should be a re-pooling.

Donnie Ratliff: Take that other paragraph and switch them around.

(laughter)

Bradley Lambert: Any further questions or comments? Anything further Mr. Swartz?

Mark Swartz: No

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve

Bradley Lambert: With correction?

Mary Quillen: Motion to approve with correction of the first page of the notice.

Bradley Lambert: I have a motion, do I have a second?

Bill Harris: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you it is approved.

Mark Swartz: Thank you.

Item 25 VGOB 12-0117-3023-01

Bradley Lambert: A petition from CNX Gas Company LLC requesting the Board to allow for election rights in Well C39A. Docket Number VGOB 12-0117-3023-01.0-01. All parties wishing to testify please come forward.

Mark Swartz: Mark Swartz and Anita Duty

Bradley Lambert: You may precede Mr. Swartz.

Mark Swartz: It sounds like we may have another one here.

Mark Swartz: When it rains, it pours.

Anita Duty: This one is simple.

Bradley Lambert: Oh is it, o.k.

Mark Swartz: At least we think it is.

Bradley Lambert: You may precede Mr. Swartz.

Mark Swartz cross-examination of Anita Duty

Q: Anita would you state your name please.

A: Anita Duty

Mark Swartz: I will remind you that you are still under oath

Q: Whom do you work for?

A: CNX Land Resources

Q: You were the person responsible for noticing this and getting a petition filed, correct?

A: Yes

Q: This unit was pooled in the past?

A: Right

Q: The docket of the pooling order was what?

A: 12-0117-3023.

Q: It was pooled earlier this year?

A: In January, yes

Q: We are back because?

A: They told me they were only going to do one well, but they are doing two.

Bradley Lambert: What

Sharon Pigeon: You need to speak up

Anita Duty: Because we want to do a second well in the unit.

Mark Swartz: The "they" is not this Board, it is your company.

Anita Duty: I know

Mark Swartz continues cross-examination of Anita Duty

Q: A decision was made to do what?

A: They were actually able to get a second location in that unit now. So when we originally pooled they weren't, but now I guess they have worked it out. We need to ask for a second well.

Q: Do we have a list of respondents here. Did you notice the respondents that we were going to have a hearing today about a second well?

A: Yes

Q: What did you do to notify them?

A: Certified mail, return receipt requested on July 20, 2012 and published the notice and location map in the Bluefield Daily Telegraph on July 31, 2012.

Q: Are the respondents listed in the notice of hearing and B-3 to the application?

A: Yes

Q: Are they the Cousins basically?

A: They are

Q: What kind of unit is this?

A: Oakwood 80 acre

Q: Do you want to add any people as respondents?

A: No

Q: Do we need to dismiss any people?

A: No

Q: So you have a complete list of the respondents?

A: I do

Q: Have you provided when you mailed this to the respondents and when you filed with the DGO, did you provide further cost information?

A: Yes

Q: Would you summarize that for the Board?

A: The estimated cost is \$324,385, estimated depth 2,373 feet, permit number 12421.

Q: That is the cost estimate with regards to the second well?

A: Yes

Q: The first hearing pertained to the first well, right?

A: Yes

Q: Have we changed any percentages here?

A: No

Q: Do we have a pooling order yet on the first pooling?

A: I don't know

Q: Diane when was that recorded?

Diane Davis: April 2012

Mark Swartz: Diane did the cousins elect under that order?

Diane Davis: I don't have a supplemental.

Mark Swartz: Anita do you know

Anita Duty: I don't know.

Mark Swartz: I don't think, Mr. Chairman, as we look for that could we incorporate Anita's testimony with regard to her employment, the operator and applicant and standard lease terms.

Bradley Lambert: Accepted.

Mark Swartz continues to cross-examine Anita Duty

Mark Swartz: What is your preference here with regard to election rights at this point? Do you want to give the Cousins another bite at the apple or just give them a bite at the second well?

Sharon Pigeon: The notice here says to allow for election rights, so if you are going to change what you are asking for....

Mark Swartz: Should we or not, let her answer the question.

Sharon Pigeon: Well, I am helping her with that.

Anita Duty: No, I forgot what the question was?

Q: You are good to go with what you asked for when you filed this and that was to provide the Cousins with elections.

A: Yes, I said no I didn't.

Q: You said you didn't know what I asked?

A: I didn't

Q: The proposal to the Board then is we would like to be able to drill a second well, and CNX is prepared to offer the Cousins another opportunity to elect to participate in both wells, correct?

A: Yes

Mark Swartz: That is where we are.

Unknown: Now your notice says allow rights and respondents to participate in well 39A.

Mark Swartz: I understand. They are going to get that no matter what.

Sharon Pigeon: So you are going to allow them to have election rights per well?

Anita Duty: If we had filed the petition separately, like this one a second well.

Bruce Prather: Is that in your lease that

Mark Swartz: We don't have a lease with these folks

Donnie Ratliff: If you don't have a lease, it doesn't matter.

Anita Duty: Depending on where we are in our drilling program, originally we are not being able to do C39A. Then we were able to work it out and now we are, I think the Cousins elected in this one. They have been.

Bradley Lambert: Bottom line is the petition says you are going to allow for election rights? That is what you just testified to?

Anita Duty: Yes

Rita Surrett: In the second well.

Bradley Lambert: In the second well.

Mark Swartz: I am not sure that the time has expired yet to elect.

Sharon Pigeon: Well, we are not too interested in that, it is over with, we are talking about this today.

Mark Swartz: I was just curious.

Sharon Pigeon: Be curious on your own time.

(Laughter)

Rick Cooper: Just to let you know, both wells are already drilled.

Bradley Lambert: Already drilled?

Rick Cooper: Both of them are drilled. I have approved the location exception.

Bradley Lambert: I thought the testimony was the second one wasn't drilled.

Rick Cooper: By our records they are drilled.

Anita Duty: Rick, when was this well drilled, recently?

Rick Cooper: June 13

Mary Quillen: Is that the second one?

Rick Cooper: C39A was drilled on June 13th, C39 was drilled in May 17th of this year. They did send in a location exception.

Anita Duty: I did know something about that....

Bradley Lambert: O.k. to just get back on track and to simplify, we are here to approve the election rights for the second well.

Mark Swartz: Correct, three of the Cousins, by the way, elected to be carried in the first well. It is just interesting that people do pay attention to their options.

Anita Duty: Most people do carried anyway. Most people don't want to put their money up.

Bradley Lambert: Any further questions or comments from the Board?

Mary Quillen: So we are (inaudible) is to allow election rights in just well C39A.

Mark Swartz: To allow that well to be included in this drilling unit, we have a permit but we need to have your permission to produce from that well in this unit. That is different?

Sharon Pigeon: That is not what it says here.

Mark Swartz: We are adding that well to this unit?

Anita Duty: We have pooled the unit in January.

Mark Swartz: It was pooled with one well, so we are adding the second well in this pooling and we are giving the Cousins election rights in the second well.

Sharon Pigeon: Are you asking for permission to have this well that you have already drilled... because it is not on your notice, if that is what you are doing. You are just asking for election rights. Is this second well based on a previous infill order?

Anita Duty: Yes

Mary Quillen: O.k.

Sharon Pigeon: We have already gotten approval to drill the second well, we have already pooled the unit in January but in January we did not include 39A and that is all we are doing today.

Sharon Pigeon: So that is for election rights?

Mark Swartz: When you issued your original order you gave us the rights to produce from that one well we were talking about. We have to come back, even though we can drill the well and we have infill permission and he could give us a permit, we had to come back so that your records are complete that that well is in this producing unit. That is why we are here and then we are here for the election rights as well.

Mary Quillen: But we don't have anything in front of us that says that. The only thing we have in front of us is the granting of election rights. That is what is confusing.

Anita Duty: What do we need then? We already have an infill approval, we already have a permit, we already have a pooling.

Bradley Lambert: You have already drilled the well.

Sharon Pigeon: It is producing, more than likely.

Bradley Lambert: Is it producing?

Rick Cooper: I am not sure if it is producing. I don't know if the pipeline is there or not from the record I am looking at, to be honest.

Mark Swartz: I guess I am trying to make one trip. I think the record should reflect, if you are going to give people rights to elect in a well in a unit, how can you say we are good to go without wells? Typically what I expect to see is on a second well you leave here with it is included in the unit and people have their rights.

(Inaudible)

Mary Quillen: They are saying all of this has been done previously.

Rick Cooper: Mr. Chairman, just to answer your question, I would be relatively assured it is not producing as of today. The last inspection conducted on it on the 9th of this month they did not have it completely drilled. It is probably drilled by today. But as of last week it was not completely drilled.

Mary Quillen: Was there approval for a second well?

Rick Cooper: They permitted a second well. There was an approval for a permit for a second well. Yes.

Sharon Pigeon: But she means under the provision here to the standard Oakwood where there is one well per unit.

Bradley Lambert: Rick, this may take some time and if it does we will skip it, can you go back quickly and find out when the Board approved that well.

Rick Cooper: It was April 2

Diane Davis: The hearing was on January 17, 2012 and is what is the effective date of that order. Unit C39 located in the Oakwood Coalbed Methane Gas Field II.

Mark Swartz: It goes on to say and to produce from the wells shown on the plat. It should be in the relief granted.

Mary Quillen: But you would have had to gotten a well location exception to drill that second well. That is my question?

Mark Swartz: There is a relief granted in a paragraph early on in the order that would talk about the well. Relief granted, CNX is designated as unit operator authorized to drill and operate the coalbed methane gas well in the subject drilling unit at the location depicted on the plat. So when we get an order from you guys it is well specific and we have to come back to get the other well included, not just from a standpoint of election rights and cost, but we need to get it included in the authorized production.

Diane Davis: What you need is your docket number for your increased density. Do you know what it is?

Anita Duty: No

Diane Davis: That is what you need.

Mark Swartz: The pooling order is well specific. We come here with a plat and a well on that. The pooling order tells us we have the permission to do that well. We need to come back to modify that pooling order to have the second well in the unit. Not to whatever and it is not hooked in yet....there needs to be a pooling order that says that this well is in the operator's prevue to operate in that unit.

Diane Davis: What you all are looking for is did you get the approval for the second well.

Mark Swartz: Yes and then the election rights for the Cousins in that well.

Bradley Lambert: Can we continue this? There seems to be a lot of discrepancies and we need to research some records.

Mark Swartz: Does the permit show??????

Rick Cooper: I am trying to pull it up here, it is a little slow. It is pulling up some 5000 plus files.

Mark Swartz: It is your call. I am assuming if we could see the permit, it would tell us.

Rick Cooper: I don't know if the permit has that on it?

Diane Davis: It does

Anita Duty: It was March 15, 2011. It was 0325-23. That is where we modified the Oakwood for the infill.

Sharon Pigeon: That would be a good piece of information to put in here.

Diane Davis: I do show it on the minutes that the petition was approved.

Bradley Lambert: We now know we got approval on 39A and we can move forward. All we are here asking for is granting election rights in 39.

Mark Swartz: Right, and acknowledge in doing that this well is now in the unit. If you are going to give someone a unit election right in a well, you are acknowledging that well is in the unit I am good to go?

Bradley Lambert: Any other questions with the Board? Do I have a motion?

Mary Quillen: Motion to approve

Bill Harris: Second

Bradley Lambert: I have a motion and a second, any further discussion? All in favor signify by saying yes (Yes), opposed (none). Thank you folks that is approved.

Mark Swartz: Thank you and I am not coming back with any more easy ones.
(laughter)

Item 26 VGOB 12-0821-3084

Bradley Lambert: We are now calling item 26 a petition from Range Resources-Pine Mountain, Inc. for a well location exception for well 900119. Docket Number VGOB 12-0821-0384. All parties wishing to testify, please come forward.

Tim Scott: Tim Scott, Gus Janson and Phil Horn for Range Resources, Pine Mountain Inc.

Gus Janson and Phil Horn were duly sworn

Bradley Lambert: Good afternoon

Tim Scott: Made it just in time for lunch.

Sharon Pigeon: I have some left for you

Bradley Lambert: You may precede Mr. Scott.

Tim Scott: Thank you Mr. Chairman.

Tim Scott cross-examination of Phil Horn

Q: Mr. Horn, would you state your name and by whom you are employed and your job descriptions?

A: My name is Phil Horn, I am employed by Range Resources-Pine Mountain, Inc. as land manager. One of my job descriptions is to get wells permitted and drilled.

Q: You are familiar with this application?

A: Yes I am

Q: You are also familiar with the ownership of the minerals underlying this unit?

A: That is correct

Q: Were those set out in exhibit B to this application?

A: Yes they are

Q: We are seeking a well location from one well today, right?

A: That is correct.

Q: Who operates that well?

A: Range Resources-Pine Mountain, Inc.

Q: In this particular situation Range is both an owner and operator, is that right?

A: That is correct

Q: We notified the people listed on exhibit B. How did we do that?

A: By certified mail.

Q: We provided proof of mailing to the Board, is that right?

A: Yes you have

Tim Scott: That is all I have of Mr. Horn

Bradley Lambert: Any questions from the Board? You may continue.

Tim Scott cross-examination of Gus Janson

Q: Mr. Janson would you please state your name and by whom you are employed and your job description?

A: My name is Gus Janson and I am employed by Range Resources-Pine Mountain, Inc. as the Manager of Geology.

Q: You helped prepare this application, is that right?

A: That is correct

Q: Can you please tell the Board why we are seeking a well location exception for this particular unit today?

A: Again, I handed out an exhibit AA to the Board which shows a location of the proposed well 900119. It is the well located in the center of the map with the red circle in the green area. We have worked closely with the surface owner and mineral owner in this general area where this well is proposed. The owner owns a good portion of this unit, about half this unit. You also see a cemetery that is inside this unit to the northeast. We have worked with the surface owner to place this well away from that cemetery at their request. This was the closest location we could get to that without infringing upon the area of the cemetery.

Q: What is the proposed depth of this well?

A: 4,791 feet

Q: If our application is not granted, what would be the loss of reserves?

A: 425 million cubic feet of gas.

Q: If the board grants our application today will it protect correlative rights, promote conservation and prevent waste. Is that also correct?

A: That is correct.

Tim Scott: That is all I have for Mr. Janson.

Bradley Lambert: Any questions from the Board?

Mary Quillen: Just one question, who owns that 820008.

Phil Horn: That is our well

Mary Quillen: Thank you

Sharon Pigeon: Are you all directly on the county line?

Phil Horn: We are in Dickenson County, barely.

Bradley Lambert: Any other questions from the Board? Anything further Mr. Scott?

Tim Scott: That is all I have Mr. Chairman

Bradley Lambert: Do I have a motion?

Mary Quillen: Motion to approve.

Bill Harris: Second

Bradley Lambert: I have a motion and a second. Any further discussion? All in favor signify by saying yes (yes), no (none), one abstention (Mr. Ratliff). It is approved.

Item 27 VGOB 12-0821-3085

Tim Scott: Thank you Mr. Chairman. Mr. Chairman, the next item we are going to continue to September. We have a couple of notices we need to take care of.

Bradley Lambert: O.k. docket item VGOB-12-0821-3085 will be continued to September.

Tim Scott: Thank you Mr. Chairman.

Item 28 Board Activities

Bradley Lambert: At this time the Board will receive an update of the Board and division activities from the staff.

Rick Cooper: We are continuing to develop the board e-forms. We have another meeting next week. Our plan is still as originally. We plan to test internally in September, and for the volunteers we hope to have that to them by October. Depending on what we find, we are still ready to implement by the end of the year unless we run into some obstacle we can't foresee right now. Also what we want to do is to send out a letter to all the operators to certify that the audit that we have been working on for the last 19 months is true and accurate. We will send out a letter to them, hopefully, by the end of the week with all the escrow data we have compiled and we would request that they come back no later, if they can resolve it before then it would be great, but no later than the Board meeting of December 18 and certify the audit we have been working on and try to correct any deficiencies we may have found in that. We will forward all that information to each and every operator.

Bradley Lambert: Will that go along with the letter asking them to certify?

Rick Cooper: We will send a letter with the requirement they certify and notarize that it is true and accurate to the best of their ability.

Bradley Lambert: The Board has been looking at the calendar and the November meeting is going to be very very close to Thanksgiving. If we can, I would like to reschedule our November meeting for the second Tuesday of November. If there is no objection, our November meeting will be on November 13, 2012.

Rick Cooper: I will confirm with center here and make sure the room is available.

Bradley Lambert: Anything further?

Rick Cooper: No

Bradley Lambert: Are there any additions, deletions or corrections we need to make to the minutes of our July meeting? If not I will ask for a motion to accept?

Mary Quillen: Mr. Chairman, are you going to include the request that Mr. Ratliff had?

Bradley Lambert: For sending out the escrow audit? Mr. Cooper you are going to do that any way aren't you?

Rick Cooper: I think what Donnie was talking about was the record, correct me if I am wrong, about 1,000 dollars or less.

Donnie Ratliff: Yes the four items the auditor read. Just send each gas operator a copy of the audit report so they can see what those four items are.

Rick Cooper: We will just send them a copy of his entire report, the letter, plus the requirement of certification all in one package.

Bradley Lambert: That would be good if you could do that? Are there any amendments that need to be made to the July minutes? I will ask for a motion to approve.

Mary Quillen: Motion to approve

Bill Harris: Second.

Bradley Lambert: Motion and second, all in favor signify by saying yes (yes), opposed (none). I need a motion to adjourn.

Mary Quillen: Motion to adjourn

Bruce Prather: Second

Bradley Lambert: All in favor signify by saying yes (yes)

Donnie Ratliff: I will abstain Mr. Chairman

Bradley Lambert: One abstention, Mr. Ratliff.

The meeting was adjourned